



**KALINA POWER LIMITED  
AND ITS CONTROLLED ENTITIES**

**ACN 000 090 997**

**Annual report to Shareholders for the year ended 30 June 2023**

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## CORPORATE DIRECTORY

### Directors:

Mr Stephen White	Chairman
Mr Ross MacLachlan	CEO
Mr Tim Horgan	Executive Director
Mr Jeffry Myers	Executive Director
Dr Malcolm Jacques	Non-executive Director
Mr Peter Littlewood	Non-executive Director

### Company Secretary:

Mr Kesh Thurairasa

### Registered Office and Principal

#### Place of Business

Suite 6, 795 Glenferrie Road  
Hawthorn VIC 3122  
Telephone: + 61 3 9236 2800  
Facsimile: + 61 38 9818 3656

### Share Registry:

Computershare Registry Services Pty Limited  
Yarra Falls, 452 Johnston Street,  
Abbotsford, Vic, Australia, 3067  
Telephone: + 61 3 9415 5000

### Bankers:

Commonwealth Bank of Australia  
385 Bourke Street  
Melbourne VIC 3000

### Auditors:

HLB Mann Judd  
Level 9, 550 Bourke Street  
Melbourne VIC 3000  
Telephone: + 61 3 9606 3888  
Facsimile: + 61 3 9606 3800

### Solicitors:

Gadens Lawyers  
Level 13 Collins Arch  
447 Collins Street  
Melbourne VIC 3000

### Stock Exchange:

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

### Other Information:

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

### Corporate Governance:

The Company's Corporate Governance Statement was released to the ASX on 31 August 2023 and can be found on the Company's website at [www.kalinapower.com](http://www.kalinapower.com)

### ***Our Mission***

Our mission is to *deliver innovative and sustainable energy solutions fundamental to the Green Energy Transition to a Net-Zero Economy.*

In furtherance of our mission, the Company is engaged in **two core business activities:**

- **Project Development Arm** via our wholly-owned Canadian subsidiary KALiNA Distributed Power ('KDP) is developing: a portfolio of ~200 MW natural gas combined cycle power projects using Carbon Capture & Sequestration ('CC-CCS'); and a fully-permitted 64MW project from two combined cycle power plants.
- KALiNA Cycle@ **Technology arm** is commercializing its zero-emissions technology for geothermal and industrial waste heat to power planned for global deployment in collaboration with leading energy technology companies.

### ***Our Vision***

*To establish a commercial foundation on which to provide energy solutions at scale aligned with the transition to Net-Zero Economies globally.*

### ***Our ESG Values***

Our Project development and Technology arms are delivering innovative and sustainable energy solutions that are fundamental to the Green Energy Transition to a Net-Zero Economy. We are proud to be utilising technologies that contribute to the global shift away from reliance on carbon intensive energy production. Our project development arm's ~\$4 billion portfolio of ~200 MW CC-CCS projects are effectively zero emissions baseload projects whereby ~95% of CO<sub>2</sub> generated is captured and sequestered in authorized deep aquifers. Our smaller scale (up to 64MW) project in development at Saddle Hills will generate additional zero-emissions power from the gas turbine's waste heat.

The group's Technology arm is the proprietary owner of the KALiNA Cycle@ technology. The KALiNA Cycle@ generates zero-emissions power from heat produced by energy-intensive industrial processes and geothermal resources. Our electricity is generated from geothermal resources and also from the capture of discarded industrial waste heat that would otherwise be lost. The technology has been commercially deployed across a range of geothermal and industrial applications at 16 plants around the world.

We are deeply committed to the principles of environmental, social and governance in our operations. Our processes contribute to the reduction of emissions by displacing less efficient and more carbon intensive generation. We take care of the environment in which we operate through applying best in class waste heat to power technology that reduces our carbon footprint. Our flagship Saddle Hills project is the model for application of these principles. Where our power generation also enables market integration of renewables in the areas in which we operate.

On a social level, we focus on regions where rising electricity prices and energy security issues are evident, thereby providing energy access to underserved areas and communities. Our investment in these regions also leads to job creation and diversification of the local economy, as well as the leveraging of energy infrastructure.

Our governance is maintained through clearly defined project execution plans and effective risk management strategies. We also manage our supply chains in a highly strategic manner in order to minimise both costs and risks. Our focus on regions where governments mandate for energy efficiency further reduces the risks of operation.

We are committed to undertaking our activities in a sustainable manner, and caring for the environment, ourselves, and the communities in which we operate. These principles are foundational to what we do and will therefore continue to guide us as we move forward into the next stage of development and expansion in 2024.

## Chairman's Letter

Dear Shareholders,

I am pleased to present the Annual Report for KALiNA Power Limited, for the year ended 30 June 2023.

Over the past financial year, we have taken important steps to advance our commercial mission to deliver innovative and sustainable energy solutions that are fundamental to the Green Energy Transition to a Net-Zero Economy. We have positioned our Company to exploit opportunities in the burgeoning power, carbon capture and sequestration market as well as better capitalize on commercial opportunities with the KALiNA Cycle Technology.

The Company has adapted well to a rapidly changing regulatory environment and positioned itself with an early mover advantage in developing significant projects that capitalize on the demand for near-zero emissions power utilizing carbon capture and sequestration. The new legislative framework sets out a range of initiatives and support mechanisms, some already in effect and some pending, that are designed to make Canada a net-zero carbon economy by 2050. Our portfolio of projects in Alberta are being developed to provide sustainable power solutions that are aligned with the ongoing rollout of major legislative changes underway in Canada.

In addition to Canada's introduction of a carbon tax, the federal government has also provided significant incentives for power projects that utilize Carbon Capture & Sequestration ("CCS"). Effective power projects using CCS have been identified by lawmakers in both the US and Canada as a key component of the future energy mix to aggressively reduce carbon emissions. Federal budgets have been passed through parliament and the detailed language on implementation is pending. The support mechanisms for substantial investment tax credits and valuations of sequestered CO<sub>2</sub> are in draft form and yet to be finalised.

Canada's new Clean Electricity Regulations legislation is now in draft form and being tabled for input from the public, industry and the provinces. While in agreement with much of the overarching policy objectives, Alberta has expressed resistance to some specific details and timelines. We have been participating in the process with constructive input and are keenly awaiting to see these legislative details finalised among all the various stakeholders, in what is expected to be a major undertaking for power markets nationwide.

Amidst this legislative backdrop and major regulatory tailwinds, our board and management team bring a proven track record of successfully developing over 9GW of power projects both in Canada and Internationally. Our program in Alberta now represents nearly AUD\$4 billion of projects in various stages of development. These ~200 MW natural gas-fired combined cycle power projects will be integrated with carbon capture and contracted with third parties for the sequestration of the CO<sub>2</sub>.

The projects are being designed to generate near-zero emissions with 95% of the CO<sub>2</sub> captured and permanently sequestered under contract by third-party licensed carbon hub operators in deep saline aquifers. Three locations have been secured with a fourth pending. In addition, the Saddle Hills 64 MW combined cycle project is permitted and shovel ready. The eventual configuration and how best to proceed for this project are pending details and clarifications from the new Clean Electricity Regulations legislation now in draft form.

KALiNA has taken a major step forward with the formal engagement of PricewaterhouseCoopers Corporate Finance Inc. ("PwC CF") to advise on the funding of our Alberta project development program and subsequent long-term funding mechanisms for the debt and equity of its projects. They are fully engaged and we anticipate reporting on their progress in due course.

The Company's technology arm made important progress in the past year. Building on the MOU in late fiscal 2022 with global energy technology company Baker Hughes, the parties advanced the design specifications and metallurgy requirements for the vapour turbine and heat exchangers to be used at the Saddle Hills project. This work has direct applicability in a number of applications which both companies are exploring.

During the year, Baker Hughes provided technical and commercial information in support of various project enquiries as well as new applications being considered by our Company. We are continuing to foster this relationship and hope to cement our relationship further with Baker Hughes in the year ahead.

In summary, the Company's efforts during the year have established a clear framework for the achievement of important near-term milestones and long-term growth that sets the stage for a dynamic year ahead in FY24. We have positioned ourselves with long-dated options for site control at key strategic locations that will prove vitally important once the legislative details are finalized. In the meantime, we are carefully prioritizing our expenditures to advance our projects to deliver the maximum value to our shareholders.

The industry knowledge and experience of our team, combined with the engagement of PwC CF, leaves me confident that KALiNA will play an important role in the deployment of practical power solutions that align with the broader energy transition underway in North America.

I'd like to take this opportunity to thank our shareholders for their ongoing support of KALiNA's strategic objective to deliver innovative and sustainable energy solutions that are fundamental to the energy transition to a Net-Zero Economy we see taking hold in economies around the globe.

Yours Faithfully,

Stephen White  
Chairman

## Directors' report

The directors of KALiNA Power Limited ('the Company') present their annual financial report of the Company and its controlled entities ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2023.

### Review of Operations

KALiNA Power Limited is pleased to provide its operational summary for the year ended 30 June 2023, a period in which it successfully achieved a number of key operational objectives.

The total loss of the consolidated entity attributable to the owners of the parent for the year ended 30 June 2023 was \$4.659m (2022: loss of \$4.664m). This equates to a basic loss per share of 0.3 cents for the year ended 30 June 2023 (2022: loss of 0.3 cents).

During the year the Group's operating cash outflow amounted to \$4.699m. Of this \$2.245m was related to Alberta project development and \$0.536m related to non-Alberta project development and international technology support. The remaining were comprised of \$0.204m for patent maintenance, \$0.181m for project and corporate financing and \$1.533m for administration.

The Company is now operating with two distinct operations, namely a Project Development Arm and the KALiNA Cycle Technology Arm. Power project development is the primary business of the Company's wholly owned Canadian subsidiary, KALiNA Distributed Power ("KDP"). The team has over 150 years of experience in power project development and has successfully completed over 9 GW projects.

The KALiNA Cycle Technology arm is focussed on the development and deployment of various commercial applications of its technology. Both arms of the business are working to deliver innovative and sustainable energy solutions that are fundamental to the Energy Transition to a Net-Zero Economy.

#### Project Development Arm:

After nearly two years of investigation and commercial discussions, the Company reported in December of 2022 KDP's program to develop large scale (~200MW) natural gas-fired combined cycle power projects incorporating Carbon Capture and Sequestration (CC-CCS). These unique projects are designed to capture and permanently sequester 95% of the CO<sub>2</sub> emissions, providing baseload power with near-zero emissions. The program is fully aligned with the evolving regulatory landscape as part of the Canadian economy's transition to achieve Net-Zero carbon emissions by 2050.

The Company subsequently reported in July 2023 that KDP has completed formal contracts for three project sites in central Alberta, with a fourth site in progress. All sites are strategically located with proximity to interconnections for power grid access, natural gas supply and CO<sub>2</sub> sequestration. The strategic value of these locations represent a strong foundation for KDP's strategy as they represent the potential to build up to seven ~200MW CC-CCS projects on these four sites.

KPO reported in February 2023 its intentions relating to its small scale (up to 64MW) project at Saddle Hills. The Company outlined it was considering a staged approach; initially seeking to deploy gas turbines in Simple Cycle Peaker mode while considering adding the KALiNA Cycle® and possibly carbon capture & sequestration as legislative and commercial circumstances warranted. The eventual configuration and how best to proceed for this project are pending details and clarifications from Canada's new Clean Electricity Regulations legislation, provided in August 2023 in draft form for public comment.

In May 2023 KPO reported the formal appointment of PricewaterhouseCoopers Corporate Finance Inc. ('PwC CF') as strategic advisor to KDP. The terms of the engagement comprised a success-fee based structure with market rates of remuneration paid on the value of funds raised and/or transactions secured.

PwC CF's remit will focus on the procurement of direct funding initiatives across KALiNA's project portfolio in Western Canada, with the following targets:

- Secure investment in KDP to fund the project development costs of its portfolio of ~200MW Combined Cycle / CC-CCS projects;
- Secure CA\$~\$60 million of equity for construction of the Saddle Hills project; initially as a 44MW Peaker project; and
- Strategies and long-term funding mechanisms to obtain circa CA\$4 billion of debt and equity capital for KDP's portfolio of project.

KPO subsequently reported in July 2023 that PwC CF had commenced its engagement with potential funding partners to finance KDP's project development requirements for the Power-CCS Program.

#### KALiNA Cycle Technology Arm:

As previously announced in late-FY22, the Company signed a non-exclusive and non-binding Memorandum of Understanding

("MOU") in May 2022 to establish global energy technology company Baker Hughes as a preferred vendor of advanced turbine technology for a range of KALiNA Cycle® designs. The MOU provides a framework by which the parties can develop modularized packaged solutions for markets that are in transition to zero-emissions and energy efficient power and establish a mutually beneficial framework for the broader deployment of the KALiNA Cycle technology across international markets.

Since that time Baker Hughes has assisted in providing indicative budgetary pricing on various KALiNA Cycle enquires and projects. Important fieldwork for the Saddle Hills project continued for much of the year resulting in modifications of metallurgy specifications and pricing. While this work was done primarily for the Saddle Hills project it has very direct applicability for a number of market segments involving high temperature waste heat from gas-fired turbines. The work with Baker Hughes has continued and we are exploring how best to bid on various projects with Baker Hughes as a preferred vendor of vapour turbines and related equipment.

In May 2023 the Company announced its involvement in an important CA\$3 million research program with the University of Calgary, funded by industry participants and government grants. The research is aimed at evaluating and improving the efficiency of innovative heat-to-power systems, as well as improved conversion systems for the use of waste or latent heat from industrial processes. Initiated by KALiNA, the research is being carried out in collaboration with major energy groups including ConocoPhillips, Ashaw Energy, Suncor, Telsec and Terrador Energy. The program provides KALiNA with a unique opportunity to further optimise its KALiNA Cycle technology and marks a strong example of direct collaboration between universities and businesses to achieve desired outcomes.

#### Intellectual Property (IP)

The Group has 323 International patents relating to the KALiNA Cycle. This represents a comprehensive Intellectual Property portfolio across applications, processes and designs.

The IP patent portfolio operates in combination with KALiNA's extensive technical know-how, proprietary process knowledge and trade secrets to provide comprehensive protection and added value to the Group's technology platform. The Group is constantly seeking to add to its intellectual property portfolio with new inventions and documentation of its tremendous body of proprietary know-how and process knowledge. The Group is continuing with its overall IP strategy, of assessing maintenance of existing patents and technical know-how and trade secrets being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the Group's claims in the sector.

#### China and Asia

Corporate filings for the related companies in the Asian group structure continue to be kept up to date, however the Group's activities in China and Asia remain on hold in lieu of its current strategic and operational focus in the Canadian market.

#### Board and Management

During the period, KALiNA formally confirmed the appointment of Stephen White as Non-Executive Chairman. Mr White is a highly regarded figure in North American energy markets, where he co-founded two separate multi-billion-dollar companies including energy transport and infrastructure company Veresen Inc, which sold to Pembina Pipeline Corp for ~A\$10.8 billion in 2017. Mr White was previously engaged with KALiNA as a Senior Industry Advisor and following his appointment as Chairman his extensive career experience and strong networks in North American energy capital markets have proved valuable in his role overseeing the advancement of the Company's key strategic objectives.

#### Corporate

Loss for the year attributed to owners of the parent was \$4.659m (2022: loss \$4.664m).

**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:

<b>Name, qualifications</b>	<b>Particulars</b>
<p>Mr Stephen White (Appointed 1 September 2022) Executive Management Program - Queens University Wintec</p>	<p>Mr White is the former President and CEO of Veresen Inc; a major developer of pipeline, midstream &amp; gas processing assets which was sold to Pembina in 2017 for CAD \$9.7 billion.</p> <p>Mr White was co-founder, President and Chief Financial Officer of Veresen Inc from 1997 to 2002 and its President and Chief Executive Officer until 2012. Under his leadership, Veresen grew to a 200+ employee business engaged in pipeline transportation, an ownership interest in a world-class natural gas liquids extraction facility near Chicago and a successful power business in Canada and the United States. Veresen was sold in 2017 to Pembina Pipeline Corp for ~A\$10.8 billion. He was also Co-Founder, Vice President Finance and Chief Financial Officer of Western Oilsands Inc from 1999 to 2000 which was subsequently sold in 2007 to Marathon Oil for ~A\$9 billion.</p> <p>Mr White was a director of Petrus Resources Ltd from 2015 to 2021 and an advisory board member to a Multinational Investment Bank sponsored Private Equity Fund since 2015.</p> <p>Mr White has been directly engaged with the Group's seasoned project development team regarding project structure and execution as well as tolling and project financing.</p>
<p>Mr Ross MacLachlan</p>	<p>Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 31 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. He has a strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization.</p> <p>Mr. MacLachlan was an early investor and became an independent director of Canadian independent power producers, Pristine Power and Swift Power where he also played an important role in the sale of each company to Veresen in 2010 and 2011.</p> <p>Mr. MacLachlan has been a speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada.</p>
<p>Mr Jeff Myers <i>BA (Hons), MBA</i></p>	<p>Mr. Myers is one of North America's leading power generation sector professionals, with over 41 years of experience in the downstream energy sector. He has led the development, financing, execution, and operation of over 5 GWe of independent power projects. Mr. Myers continues to be involved in the development of independent power projects through his position on the Boards of a number of private, clean technology companies and as an Operating Partner at Stonepeak Infrastructure Partners (a US\$46bn infrastructure fund manager).</p> <p>Mr. Myers was a co-founder, Chairman, President and Chief Executive Officer of Pristine Power (a developer, builder, and operator of independent power plants that produced and sold electricity for industrial users in Canada). Mr. Myers oversaw Pristine Power's foundation in 2002, public listing in 2008, and successful sale to Veresen (TSE: VSN, c.), for US\$300m, in late 2010. KALiNA Power's CEO, Mr. Ross MacLachlan, served as a director with Mr. Myers at Pristine Power from 2002 to 2010.</p>
<p>Mr Peter Littlewood <i>MA in Engineering, Cambridge University</i></p>	<p>As one of Asia-Pacific's leading sector professionals, Mr. Littlewood was formerly the Group Director of Operations at CLP Group ("China Light and Power") and was responsible for developing and implementing power projects across China, Hong Kong, India, and other Asia-Pacific countries. He was a member of the Group Executive Committee and Investment Committee, and a Director for numerous China Light and Power subsidiaries and has over 40 years of experience in the energy and power sector.</p> <p>Over a 37 year career with China Light and Power in Hong Kong, Mr. Littlewood was responsible for engineering, project management, construction, operations and fuel supply for the entire power generation portfolio with Mr. Littlewood being instrumental in the development of multiple projects using coal, natural gas, nuclear, hydro, wind, solar and biomass technologies. During his tenure, China Light and Power became the largest international investor in the Asia-Pacific power market and is the largest external investor in the mainland China power market. It is a significant international investor in the conventional and renewable power sectors and holds significant investments, joint ventures and operations across China,</p>

Hong Kong, India, Thailand, Taiwan, and Australia including 100% ownership of Australian subsidiary, Energy Australia.

Mr. Littlewood was a member of the Advisory Board for Bloomberg New Energy Finance. He holds a Master's Degree in Engineering (first class honours) from the University of Cambridge and has completed the Harvard Business School Advanced Management Program.

Mr Timothy Horgan  
BA (Hons), L.L.B

Mr. Horgan is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia.

Mr. Horgan practiced law with Minter Ellison in Australia before moving to London where he acted as Counsel for S & P 100 Company, The Gillette Company. He sat on Gillette's Africa, Middle East and Europe Operational Committee overseeing annual sales in excess of USD 1.2 Billion.

Mr. Horgan also has extensive licensing experience having overseen licensing of the 2002 and 2006 FIFA world cup broadcast rights.

Mr Horgan 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.

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 organisations 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.

#### 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
Stephen White	Petrus Resources Ltd	2015 – 2021
Ross MacLachlan	Lions Bay Capital Inc (Canada)	2010 – Present

#### 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
<b>Directors</b>		
Stephen White (Appointed 1 September 2022)	3,096,591	5,000,000
Ross MacLachlan	30,219,996	6,537,500
Tim Horgan	12,263,406	8,855,000
Malcolm Jacques	4,438,575	817,500
Jeffrey Myers	17,631,242	6,945,000
Peter Littlewood	12,496,826	2,452,500



**Directors' report (cont'd)**

Since the end of the financial year nil share options (2022: nil) were granted to Directors and officers of the company as part of their remuneration.

**Directors' meetings**

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year are shown below. During the financial year, 11 Board meetings, 2 Audit and Finance Committee meetings and 1 Remuneration Committee meeting were held.

Name	Board of Directors		Audit and Finance Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Stephen White	9	9	1	1	-	-
Ross MacLachlan	11	11	-	-	1	1
Tim Horgan	11	11	-	-	-	-
Malcolm Jacques	11	11	2	2	1	1
Jeffry Myers	11	11	1	1	1	1
Peter Littlewood	11	11	2	2	-	-

**Company secretary**

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

Name	
Kesh Thurairasa	Mr Kesh Thurairasa was appointed to the position of Company Secretary on 11 October 2019. Mr Thurairasa has experience in listed companies over 30 years both in energy and mining. Mr Thurairasa holds an MBA and is a member of Certified Practising Accountants and Fellow member of Governance Institute of Australia.

**Directors' report (cont'd)****Principal activities**

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

*Business Risks*

The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

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

*Future capital requirements and Subsidiary or Associate Business Model.* The Group's strategy of developing relationships with major industry partners will reduce its future need for capital. The Group will seek to meet the reduced future funding requirements through the delivery of services to customers and the licensing of its core KALiNA Cycle technology to projects. However, if the services and licensing revenues of the Group and the Group's ability to secure equity or debt financing are not sufficient for the capital which will still be required, the Group may not be able to implement its business plan. The Group has currently established, or may in the future establish, subsidiaries or associates to further the business of the KALiNA Group. Regulatory, commercial, environmental or political risks may impact on the ability of the Group 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 Group 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 Group 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 Group will be adequate to prevent misappropriation of its technology or that KALiNA's competitors will not independently develop technologies that are substantially equivalent or superior to KALiNA's technology. In addition, the laws of some foreign countries may not protect KALiNA'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 than the Group's functional currency. In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements.

**Significant changes in state of affairs**

There has not been any significant changes in the affairs of the consolidated entity during or since the year end.

**Directors' report (cont'd)****Subsequent events**

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

- On 27 July 2023, the Company announced that PWC Corp Finance launched its marketing to finance development funding up to C\$56m and this is expected this to be completed before the end of the current calendar year.
- On 17 August 2023, the Company announced that it had completed a 10% convertible note issue for \$625,000 to be used for working capital requirement. The notes are convertible at 0.0826 cents before 30 July 2024.

**Likely developments and expected results of operations**

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 issues**

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 (2022: Nil).

**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	12,244,500	Ordinary	4.4 cents	9 August 2024
KALiNA Power Limited	25,607,500	Ordinary	4.4 cents	26 November 2024
KALiNA Power Limited	5,000,000	Ordinary	5.0 cents	25 February 2025
KALiNA Power Limited	4,000,000	Ordinary	5.0 cents	4 May 2025
KALiNA Power Limited	8,000,000	Ordinary	4.4 cents	11 December 2023

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

Issuing Entity	Number of	Class of shares	Exercise price of option	Expiry date of options
KALiNA Power Limited	42,801	Ordinary	4.4 cents	27 August 2022

**Directors' report (cont'd)****Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**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.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

**Auditor's independence declaration**

The auditors' independence declaration is included on page 18 of the annual report.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Directors' report (cont'd)

### Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of KALiNA Power Limited's directors and its senior management for the financial years ended 30 June 2023 and 2022. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel
- remuneration policy
- relationship between the remuneration policy and Company 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

Ross MacLachlan  
Jeffrey Myers  
Tim Horgan

#### Non-executive Directors

Stephen White (Appointed 1 September 2022)  
Malcolm Jacques  
Peter Littlewood

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:

Nigel Chea (President Greater China – KALiNA Power Limited)  
Robert Rosine (General Manager – KALiNA Distributed Power Limited)  
Kesh Thurairasa (Company Secretary and Financial Controller – KALiNA Power Limited)

### Remuneration policy

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

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

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

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 Group attracts and retains the best people.

#### 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.

**Directors' report (cont'd)****Remuneration report – audited (cont'd)**Incentive based compensation

The Group does not currently operate a short-term incentive scheme and, in 2023, no cash awards were made to the executives apart from disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2023 financial year, however, will review this in the context of the formal review of the group's broader executive remuneration policy to be undertaken during the 2024 financial year.

In the 2023 financial year, no options were granted to directors, employees or third party. The current approach of not having time based vesting is considered appropriate due to the size of the Company. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

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

*Non-Executive Director Remuneration*

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

The cash fees paid to each Independent Non-executive Director for the 2023 financial year were \$40,000 (2022: \$40,000) per annum, plus statutory superannuation if applicable.

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

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

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

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

**Relationship between the remuneration policy and Group performance**

The achievement of Group strategic objectives is the key focus of the efforts of the Group, 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 2023 financial year, the Board reviewed the Group's executive remuneration policy to ensure the remuneration framework remained focused on driving and rewarding executive performance, while being closely aligned to the achievement of Group 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 five financial years or the current financial year. As the Group 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 Group performance rather than Group earnings.

## Directors' report (cont'd)

## Remuneration report – audited (cont'd)

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2023.

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Revenue	-	-	-	-	-
Net profit/(loss) before tax	(4,923,689)	(5,062,804)	(8,069,370)	(4,714,632)	(5,167,996)
Net profit/(loss) after tax	(4,923,689)	(5,062,804)	(8,069,370)	(4,714,632)	(5,167,996)
Share price at start of year (\$)	0.018	0.031	0.029	0.022	0.017
Share price at end of year (\$)	0.009	0.018	0.031	0.029	0.022
Dividends paid (cents)	-	-	-	-	-
Basic (loss)/profit per share (cents)	(0.3)	(0.3)	(0.7)	(0.6)	(1.0)
Diluted (loss)/profit per share (cents)	(0.3)	(0.3)	(0.7)	(0.6)	(1.0)

## Remuneration of directors and senior management – audited.

		Short-term employment benefits			Post-employment	Other long-term benefits	Share-based payment	Value of options as proportion of total remuneration	Total
		Salary & Fees	Other payments	Non-monetary	Superannuation		Options and rights		
<b>Executive Directors</b>		\$	\$	\$	\$	\$	\$	%	\$
Ross MacLachlan	2023	280,000	-	10,789	29,400	-	-	-	320,189
	2022	280,000	-	13,576	28,000	-	-	-	321,576
Tim Horgan	2023	200,000	-	-	21,000	-	-	-	221,000
	2022	200,000	-	-	20,000	-	-	-	220,000
Jeffry Myers	2023	121,000	-	-	-	-	-	-	121,000
	2022	121,000	-	-	-	-	-	-	121,000
<b>Non-executive directors</b>									
Stephen White (appointed 1 September 2022)	2023	88,453	-	-	-	-	-	-	88,453
Malcolm Jacques	2023	40,000	-	-	-	-	-	-	40,000
	2022	40,000	-	-	-	-	-	-	40,000
Peter Littlewood	2023	40,000	-	-	-	-	-	-	40,000
	2022	40,000	-	-	-	-	-	-	40,000
<b>Senior Management</b>									
Nigel Chea	2023	23,134	-	-	-	-	-	-	23,134
	2022	16,692	-	-	-	-	-	-	16,692
Robert Rosine	2023	261,139	-	-	-	-	-	-	261,139
Kesh Thurairasa	2023	160,000	-	-	27,850	-	-	-	187,850
	2022	162,000	-	-	25,000	-	-	-	187,000
<b>TOTAL</b>	<b>2023</b>	<b>1,213,726</b>	<b>-</b>	<b>10,789</b>	<b>78,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,302,765</b>
<b>TOTAL</b>	<b>2022</b>	<b>859,692</b>	<b>-</b>	<b>13,576</b>	<b>73,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>946,268</b>

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

## Directors' report (cont'd)

## Remuneration report – audited (cont'd)

## Equity instruments

## Options

During the financial year no options were granted to Directors or 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

Directors received nil options and nil options were granted to consultants as part of remuneration. Apart from the above, during the financial year there were no other share-based payment arrangements in existence.

## Key management personnel equity holdings

Fully paid ordinary shares of KALiNA Power Limited

	Balance at 1 July 2022 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Bal at 30 June 2023 No.	Balance held nominally No.
<b>2023</b>						
<b>Directors</b>						
S White	-	-	-	3,096,591	3,096,591	-
R MacLachlan	27,123,405	-	-	3,096,591	30,219,996	-
T Horgan	9,166,815	-	-	3,096,591	12,263,406	-
M. Jacques	3,819,257	-	-	619,318	4,438,575	-
J Myers	14,534,651	-	-	3,096,591	17,631,242	-
P Littlewood	11,877,508	-	-	619,318	12,496,826	-
<b>Senior Management</b>						
Robert Rosine (i)	-	-	-	-	-	-
K. Thurairasa	2,327,999	-	-	-	2,327,999	-
N Chea	13,000,000	-	-	-	13,000,000	-

(i) Appointed General Manager Kalina Distributed Power from 1 July 2022

	Balance at 1 July 2021 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Bal at 30 June 2022 No.	Balance held nominally No.
<b>2022</b>						
<b>Directors</b>						
R MacLachlan	27,123,405	-	-	-	27,123,405	-
T Horgan	9,166,815	-	-	-	9,166,815	-
M. Jacques	3,819,257	-	-	-	3,819,257	-
J Myers	14,534,651	-	-	-	14,534,651	-
P Littlewood	11,877,508	-	-	-	11,877,508	-
<b>Senior Management</b>						
K. Thurairasa	2,327,999	-	-	-	2,327,999	-
N Chea	13,000,000	-	-	-	13,000,000	-



Directors' report (cont'd)  
Remuneration report – audited (cont'd)

## Share options of KALiNA Power Limited

	Balance at 1 July 2022 No.	Granted as compensation No.	Value \$	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2023 No.	Bal vested at 30 June 2023 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
<b>2023</b>										
<b>Directors</b>										
S White	-	-	-	-	5,000,000	5,000,000	5,000,000	-	5,000,000	-
R. MacLachlan	23,537,500	-	-	(17,000,000)	-	6,537,500	6,537,500	-	6,537,500	-
T. Horgan	14,854,999	-	-	(5,999,999)	-	8,855,000	8,855,000	-	8,855,000	-
M. Jacques	5,017,500	-	-	(4,200,000)	-	817,500	817,500	-	817,500	-
J Myers	18,945,000	-	-	(12,000,000)	-	6,945,000	6,945,000	-	6,945,000	-
P Littlewood	9,652,500	-	-	(7,200,000)	-	2,452,500	2,452,500	-	2,452,500	-
<b>Senior Management</b>										
Nigel Chea	2,317,500	-	-	(1,500,000)	-	817,500	817,500	-	817,500	-
Robert Rosine	-	-	-	-	4,000,000	4,000,000	4,000,000	-	4,000,000	-
K. Thurairasa	2,445,499	-	-	(1,627,999)	-	817,500	817,500	-	817,500	-

	Balance at 1 July 2021 No.	Granted as compensation No.	Value \$	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2022 No.	Bal vested at 30 June 2022 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
<b>2022</b>										
<b>Directors</b>										
R. MacLachlan	30,075,000	-	-	(6,537,500)	-	23,537,500	23,537,500	-	23,537,500	-
T. Horgan	23,709,999	-	-	(8,855,000)	-	14,854,999	14,854,999	-	14,854,999	-
M. Jacques	5,835,000	-	-	(817,500)	-	5,017,500	5,017,500	-	5,017,500	-
J Myers	25,890,000	-	-	(6,945,000)	-	18,945,000	18,945,000	-	18,945,000	-
P Littlewood	12,105,000	-	-	(2,452,500)	-	9,652,500	9,652,500	-	9,652,500	-
<b>Senior Management</b>										
Nigel Chea	6,635,000	-	-	(4,317,500)	-	2,317,500	2,317,500	-	2,317,500	-
K Thurairasa	4,262,999	-	-	(1,817,500)	-	2,445,499	2,445,499	-	2,445,499	-

## Options

No options were granted to directors and senior management during the year.

**Directors' report (cont'd)****Remuneration report – audited (cont'd)****Other transactions with key management personnel of the Group**

Details of key management personnel compensation are disclosed in note 22 to the financial statements.

## i. Loans to key management personnel

No loans were granted to key management personnel during the year.

## ii. Other transactions with key management personnel of the Group and/or their related entities

There were no other transactions with key management personnel.

**ii. Transactions with key management personnel of KALiNA Power Limited.**

R. MacLachlan, T Horgan, M. Jacques, J Myers, P Littlewood, Robert Rosine, K. Thurairasa and Nigel Chea are key management personnel of the Company. 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 make provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

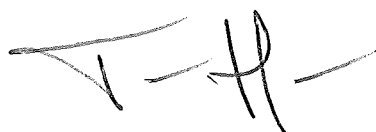
<b>Term</b>	<b>Conditions</b>	<b>Position</b>
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	12 months' fixed compensation or payment in lieu	Executive Directors
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Company Secretary
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

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

End of Remuneration report.

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

On behalf of the Directors



Timothy Horgan  
Executive Director  
Melbourne, 31 August 2023

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Kalina Power Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in 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 relation to Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

**HLB Mann Judd**  
**Chartered Accountants**

Melbourne  
31 August 2023

A handwritten signature in black ink, appearing to read 'M Gummery', with a stylized flourish at the end.

**Michael Gummery**  
**Partner**

**KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES**

Consolidated statement of profit and loss and other comprehensive income  
for the financial year ended 30 June 2023

	<u>Note</u>	<u>Consolidated</u>	
		<u>2023</u>	<u>2022</u>
		<u>\$</u>	<u>\$</u>
Revenue		-	-
Cost of Sales		-	-
Gross profit/(loss)		-	-
Other income	5(a)	71,516	340,073
Finance income	5(a)	60,769	8,564
Employee benefits expenses	5(b)	(1,351,459)	(1,369,910)
Share-based payments	26	-	(40,714)
Administration expenses		(468,154)	(399,723)
Depreciation and amortisation expenses	5(b)	(11,783)	(9,658)
Travel expenses		(130,174)	(36,435)
Engineering and professional fees		(2,283,117)	(2,690,320)
Legal fees		(441,054)	(310,000)
Patent costs		(329,098)	(473,995)
Foreign exchange gain/(loss)	5(b)	87,579	41,487
Finance costs	4	(128,714)	(122,173)
Loss before tax		(4,923,689)	(5,062,804)
Income tax benefit/(expense)	6	-	-
Loss for the year		(4,923,689)	(5,062,804)
Attributed to:			
Owners of the parent	17	(4,658,535)	(4,664,179)
Non-controlling interest	16.5	(265,154)	(398,625)
		(4,923,689)	(5,062,804)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange reserve arising on translation of foreign operations		(49,574)	(205,710)
Other comprehensive income for the period net of tax		(49,574)	(205,710)
Total comprehensive income/(loss) for the period		(4,973,263)	(5,268,514)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(4,678,828)	(4,842,177)
Non-controlling interest		(294,435)	(426,337)
		(4,973,263)	(5,268,514)
(Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	25	(0.3)	(0.3)
Diluted (cents per share)	25	(0.3)	(0.3)

The financial statements should be read in conjunction with the notes included on pages 24 to 50.

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of financial position as at 30 June 2023

	Note	2023 \$	2022 \$
<b>Current assets</b>			
Cash and cash equivalents	20	706,661	2,948,798
Financial assets	7	-	2,400,000
Trade and other receivables	8	142,691	110,788
<b>Total current assets</b>		<b>849,352</b>	<b>5,459,586</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	9	9,200	9,200
Property, plant and equipment	10	17,155	20,275
<b>Total non-current assets</b>		<b>26,355</b>	<b>29,475</b>
<b>Total assets</b>		<b>875,707</b>	<b>5,489,061</b>
<b>Current liabilities</b>			
Trade and other payables	11	718,580	536,988
Provisions	12	302,487	230,043
<b>Total current liabilities</b>		<b>1,021,067</b>	<b>767,031</b>
<b>Non-current liabilities</b>			
Other payables	13	2,302,022	2,155,489
Provision	12	-	42,543
<b>Total non-current liabilities</b>		<b>2,302,022</b>	<b>2,198,032</b>
<b>Total liabilities</b>		<b>3,323,089</b>	<b>2,965,063</b>
<b>Net assets/(liabilities)</b>		<b>(2,447,382)</b>	<b>2,523,998</b>
<b>Equity/(net deficiency)</b>			
Issued capital	14	127,281,526	127,279,244
Reserves	16	7,685,753	7,706,445
Accumulated losses	17	(125,838,548)	(121,180,013)
Total equity attributable to equity holders of the company		9,128,731	13,805,676
Non-controlling interest	16.5	(11,576,113)	(11,281,678)
<b>Total equity/(net deficiency)</b>		<b>(2,447,382)</b>	<b>2,523,998</b>

The financial statements should be read in conjunction with the notes included on pages 24 to 50.

**KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES**  
Consolidated statement of changes in equity for the financial year ended 30 June 2023

	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	117,937,371	3,632,735	14,647,113	(9,939,836)	(450,800)	(116,515,834)	9,310,749	(10,855,341)	(1,544,592)
Profit/(loss) for the year	-	-	-	-	-	(4,664,179)	(4,664,179)	(398,625)	(5,062,804)
Movement in foreign exchange values	-	(177,998)	-	-	-	-	(177,998)	(27,712)	(205,710)
<b>Total comprehensive income for the period</b>	-	(177,998)	-	-	-	(4,664,179)	(4,842,177)	(426,337)	(5,268,514)
Value of options issued (note 16.3)	45,483	-	40,714	-	-	-	40,714	-	40,714
Value of options exercised (note 16.3)	9,940,000	-	(45,483)	-	-	-	-	-	-
Issue of shares (note 14.1)	52,313	-	-	-	-	-	9,940,000	-	9,940,000
Options exercised	(695,923)	-	-	-	-	-	52,313	-	52,313
Share issue cost (note 14.1)	-	-	-	-	-	-	(695,923)	-	(695,923)
<b>Balance at 30 June 2022</b>	127,279,244	3,454,737	14,642,344	(9,939,836)	(450,800)	121,180,013	13,805,676	(11,281,678)	2,523,998
<b>Balance at 1 July 2022</b>	127,279,244	3,454,737	14,642,344	(9,939,836)	(450,800)	(121,180,013)	13,805,676	(11,281,678)	2,523,998
Profit/(loss) for the year	-	-	-	-	-	(4,658,535)	(4,658,535)	(265,154)	(4,923,689)
Movement in foreign exchange values	-	(20,293)	-	-	-	-	(20,293)	(29,281)	(49,574)
<b>Total comprehensive income for the period</b>	-	(20,293)	-	-	-	(4,658,535)	(4,678,828)	(294,435)	(4,973,263)
Options exercised	1,883	-	-	-	-	-	1,883	-	1,883
Value of options exercised (note 16.3)	399	-	(399)	-	-	-	-	-	-
<b>Balance at 30 June 2023</b>	127,281,526	3,434,444	14,641,945	(9,939,836)	(450,800)	(125,838,548)	9,128,731	(11,576,113)	(2,447,382)

The financial statements should be read in conjunction with the notes included on pages 24 to 50.

**KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES**  
Consolidated cashflow statement for the financial year ended 30 June 2023

	<u>Note</u>	<b>Consolidated</b>	
		<b>2023</b>	<b>2022</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from management fees		18,203	39,219
Other income		7,400	278,157
Payments to suppliers and employees		(4,724,952)	(5,343,321)
Net cash provided by/(used in) operating activities	20(i)	(4,699,349)	(5,025,945)
<b>Cash flows from investing activities</b>			
Interest received		63,993	5,123
Payment for plant and equipment		(8,664)	(4,839)
Receipts/(payment) for financial assets		2,400,000	(2,400,000)
Receipts/(payment) for deposits		-	(15,400)
Net cash provided by/(used in) investing activities		2,455,329	(2,415,116)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		1,883	9,992,312
Capital raising costs		-	(695,923)
Net cash provided by/(used in) financing activities		1,883	9,296,389
<b>Net (decrease) / increase in cash and cash equivalents</b>		(2,242,137)	1,855,328
<b>Cash and cash equivalents at the beginning of the financial year</b>		2,948,798	1,093,470
<b>Cash and cash equivalents at the end of the financial year</b>	20	706,661	2,948,798

The financial statements should be read in conjunction with the notes included on pages 24 to 50.

**Notes to the financial statements  
for the financial year ended 30 June 2023**

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## 1. General information

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

**Registered office**

Suite 6, 795 Glenferrie Road  
Hawthorn VIC 3122

**Principal place of business**

Suite 6, 795 Glenferrie Road  
Hawthorn VIC 3122

## 2. Summary of accounting policies

### Statement of compliance

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

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

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

### Basis of preparation

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

The financial statements were authorised for issue by the directors on 30 August 2023.

### Going concern

As at 30 June 2023, the Group has cash reserves of \$706,661, and an excess of current liabilities over current assets of \$171,715. The consolidated entity incurred an operating loss for the year ended 30 June 2023 of \$4,923,689 (30 June 2022: loss of \$5,062,804) and incurred an operating cash outflow of \$4,699,349 (30 June 2022: \$5,025,945). At the date of this report, the Directors have considered the above factors and the additional funds required to accomplish its business objectives 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 2024 which include a proposed financing by November 2023

The above statement is underpinned by certain key assumptions including:

- On 17 August 2023, the Company announced that it had completed a convertible note issue for \$625,000 to be used for working capital requirement.
- The Company's cash flow forecast to August 2024 indicates that, in addition to the funds raised via a convertible note in August 2023, the Company will need to raise further funds beginning November 2023 in order to meet its ongoing expenditure commitments in the next twelve months.
- On 27 July 2023, the Company announced that PWC Corp Finance launched its marketing to finance development funding of its wholly owned subsidiary Kalina Distributed Power Ltd (KDP). The size and timing of the Company's expenditure and required Company financing will be tailored to the Company's ability to attract investment in to KDP. The Company anticipates it may recoup some of the funds advanced to KDP, by way of reimbursement of development expenses.

The company has a good track record of raising equity funds and loan funds in the past. In the event that the company is unable to meet some of its objectives as above, there is material uncertainty whether the consolidated entity will continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business.

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

## 2. Summary of accounting policies (cont'd)

### Critical accounting estimates and judgements

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

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

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

The key critical accounting estimates and judgments are:

- 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 2(d), 7 and 8).
- The fair value of share options granted by the Company have been valued using a Black-Scholes pricing model (Note 16.3 & 26) which takes into account the terms and conditions upon which the options are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 26 for further information.
- 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.
- *Lease term*  
The Consolidated Entity has lease arrangements in place that qualify for the short-term lease exemption under AASB 16. As such, no right of use asset or lease liabilities are recognised on the consolidated statement of financial position. These arrangements include extension options, that are not yet probable to be exercised.  
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

## 2. Summary of accounting policies (cont'd)

### Standards and interpretation adopted with no effect in the financial statements

#### New Accounting Standards and Interpretations not yet mandatory or early adopted

The Australian Accounting Standards Board ('AASB') has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards but does not expect the adoption of these standards to have any material impact on the reported position or performance of the Consolidated Entity.

#### Adoption of new and revised accounting standards

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. There were no significant impact to the consolidated entity.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KALiNA Power Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. KALiNA Power Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or "the Group".

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### (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.

## 2. Summary of accounting policies (cont'd)

### (d) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Financial assets at fair value through other comprehensive income*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 21 details how the group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition receivables.

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### 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.

**2. Summary of accounting policies (cont'd)**

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(f) Foreign currency**

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("A\$"), 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) Impairment of tangible assets**

At each reporting date, the Group reviews the carrying amounts of its tangible 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.

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

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

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

## 2. Summary of accounting policies (cont'd)

### (h) Income taxes

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.

#### 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.

### (i) Property, plant and equipment

#### Plant and equipment

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. 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:

Plant and equipment	4-12 years
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## 2. Summary of accounting policies (cont'd)

### (j) 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.

### (k) Revenue

#### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

#### Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

#### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## 2. Summary of accounting policies (cont'd)

### (l) 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 which 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.

### (m) 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.

### (n) 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.

### (o) 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.



## 2. Summary of accounting policies (cont'd)

### (p) Lease liabilities

The Consolidated Entity has lease arrangements in place that qualify for the short-term lease exemption under AASB 16. As such, no right of use asset or lease liabilities are recognised on the consolidated statement of financial position. These arrangements include extension options, that are not yet probable to be exercised. A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### (q) 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.

### (r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### 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 and technology development business

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

Information regarding these segments is presented below.

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

	Segment other income		Segment profit/(loss)	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Continuing operations</b>				
Investments	91,061	326,777	(1,968,195)	(1,038,711)
Power and technology development business	41,224	21,860	(2,955,494)	(4,024,093)
<b>Total of all Segments</b>	<b>132,285</b>	<b>348,637</b>	<b>(4,923,689)</b>	<b>(5,062,804)</b>
<b>Unallocated items</b>				
Share of loss of associate			-	-
<b>Total loss before tax</b>			<b>(4,923,689)</b>	<b>(5,062,804)</b>
Exchange reserve arising on translation of foreign operations			(49,574)	(205,710)
Company tax			-	-
<b>Total comprehensive income/(loss) for the period</b>			<b>(4,973,263)</b>	<b>(5,268,514)</b>

The segment income reported above represents other income recognised during the period. There were no intersegment sales in the current year (2022: 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**

	2023	2022
	\$	\$
Investments	571,596	5,378,604
Power and technology development business	304,110	110,457
<b>Total segment assets</b>	<b>875,706</b>	<b>5,489,061</b>
Unallocated assets	-	-
<b>Total assets</b>	<b>875,706</b>	<b>5,489,061</b>

**(iii) Segment liabilities**

Investments	587,447	454,730
Power and technology development business	2,735,642	2,510,333
<b>Total liabilities</b>	<b>3,323,089</b>	<b>2,965,063</b>

**3. Segment information (cont'd)**

**(iv) Geographical information**

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

	Non-current assets	
	2023	2022
	\$	\$
Australia	17,457	22,157
Canada	7,781	5,516
USA	1,117	1,802
	<b>26,355</b>	<b>29,475</b>

**(v) Other segment information**

	Depreciation and amortisation	
	2023	2022
	\$	\$
Investments	4,700	6,293
Power business development	7,083	3,366
	<b>11,783</b>	<b>9,659</b>

**4. Finance costs**

	Consolidated	
	2023	2022
	\$	\$
Interest –other payables	128,714	122,173
	<b>128,714</b>	<b>122,173</b>

Weighted average rate of funds borrowed is 10% (2022 – 10%)

**5. 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	
	2023	2022
	\$	\$
Management fee	36,379	40,629
Relinquishment of part land rights	-	273,743
Gain on creditors no longer payable	27,737	25,130
Sundry income	7,400	571
Other income	71,516	340,073
Interest income	60,769	8,564
Net foreign exchange gains	87,579	41,487

**(b) Other expenses**

Loss for the year includes the following expenses:

	Consolidated	
	2023	2022
	\$	\$
Operating lease charges	81,173	77,252
Depreciation of plant and equipment	11,783	9,658
Share based payments	-	40,714
Employee benefit expense:		
Defined contribution plans	79,096	75,680
Salaries and wages	1,272,363	1,294,230
	1,351,459	1,369,910

**6. Income taxes**

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

	Consolidated	
	2023	2022
	\$	\$
(Loss) before tax from continuing operations	(4,923,689)	(5,062,804)
Income tax (benefit) calculated at 30%	(1,477,106)	(1,518,841)
Effect of expenses that are not deductible in determining taxable income	6,787	13,474
Effect of temporary differences	218,412	130,045
Effect of deferred tax losses not brought to account	1,251,907	1,375,322
<b>Income tax expense recognised in profit or loss</b>	<b>-</b>	<b>-</b>

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	
	2023	2022
	\$	\$
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	18,191,070	14,922,308
- tax losses - capital	6,552,578	6,552,578
- temporary differences	1,650,737	1,641,797
	<b>26,394,385</b>	<b>23,116,683</b>

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 yet 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	
	2023	2022
	\$	\$
Deferred tax assets		
- Investments	1,530,483	1,530,483
- Provisions	102,896	93,956
- Provision for bad debt	17,358	17,358
	<b>1,650,737</b>	<b>1,641,797</b>

**7. Financial assets – current**

	Consolidated	
	2023	2022
	\$	\$
Term deposits (i)	-	2,400,000
	<b>-</b>	<b>2,400,000</b>

(i) Relates to cash held on call deposits with maturity terms greater than 3 months.

**8. Trade and other receivables: current**

	Consolidated	
	2023	2022
	\$	\$
Trade receivables	52,784	17,818
Goods and services tax recoverable	41,500	51,650
Other receivables	48,407	41,320
	<b>142,691</b>	<b>110,788</b>

The average credit period for trade receivables is 30 days after the end of the month in which the invoice is raised.

**Credit risk**

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

**9. Investments accounted for using the equity method**

	Consolidated	
	2023	2022
	\$	\$
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	<b>9,200</b>	<b>9,200</b>

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2023 %	2022 %
<b>Associates</b>				
Exergy Inc	USA	Investment	46.0%	46.0%

**Dividends received from associates**

No dividends were received during the year (2022: Nil) from its associate.

**10. Property, plant and equipment**

	Consolidated	
	Plant and equipment at cost	Total
	\$	\$
<b>Gross carrying amount</b>		
Balance at 1 July 2021	51,371	51,371
Assets written off	-	-
Additions	4,837	4,837
Balance at 30 June 2022	56,208	56,208
Assets written off	(2,877)	(2,877)
Additions	8,664	8,664
<b>Balance at 30 June 2023</b>	<b>61,995</b>	<b>61,995</b>
<b>Accumulated depreciation</b>		
Balance at 1 July 2021	26,276	26,276
Depreciation expenses	9,658	9,658
Balance at 30 June 2022	35,934	35,934
Assets written off	(2,877)	(2,877)
Depreciation expense	11,783	11,783
<b>Balance at 30 June 2023</b>	<b>44,840</b>	<b>44,480</b>
<b>Net book value</b>		
As at 30 June 2022	20,275	20,275
As at 30 June 2023	<b>17,155</b>	<b>17,155</b>

**11. Trade and other payables – current**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Unsecured:		
Trade payables (i)	718,580	536,988
	<b>718,580</b>	<b>536,988</b>

- (i) Payment terms for the Group during the current year and comparative period is an average of 30 days.

**12. Provisions:**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits (i)	302,487	272,586
	<b>302,487</b>	<b>272,586</b>
Disclosed as current	302,487	230,043
Disclosed as non-current	-	42,543
	<b>302,487</b>	<b>272,586</b>

- (i) Relate to accrued annual and long service leave payable.

**13. Trade and other payables: non-current**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Other payables - unsecured (i)	2,302,022	2,155,489
	<b>2,302,022</b>	<b>2,155,489</b>

- (i) Relates to amounts owing to key outside shareholders of New Energy Asia (NEA), on account of expenses incurred and payable under the loan agreement only when NEA has adequate funds to meet one year's working capital requirements after payment of this amount. Interest accrues at 10% per annum.

**14. Issued capital**

Fully paid ordinary shares  
30 June 2023: 1,515,195,786  
(30 June 2022: 1,515,152,985)

Consolidated	
2023	2022
\$	\$
<b>127,281,526</b>	<b>127,279,244</b>

	2023		2022	
	No.	\$	No.	\$
<b>14.1 Ordinary shares</b>				
Balance at beginning of year	1,515,152,985	127,279,244	1,143,629,832	117,937,371
Exercise of options	42,801	2,282	3,375,000	97,796
Issue of shares	-	-	368,148,153	9,940,000
Share issue costs	-	-		(695,923)
Balance at end of financial year	<b>1,515,195,786</b>	<b>127,281,526</b>	<b>1,515,152,985</b>	<b>127,279,244</b>

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

**Movements in ordinary share capital**

Details	Date	Shares	Issue Price	\$
Balance	1 July 2022	1,515,152,985		127,279,244
Options exercised	31 August 2022	42,801	4.4 cents	2,282
Balance	30 June 2023	1,515,195,786		127,281,526

**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.



**15. Options**

	<b>2023</b>	<b>2022</b>
	<b>No</b>	<b>No</b>
Balance at beginning of the year	424,371,825	482,647,325
Grant of options	-	8,000,000
Exercise of options	(42,801)	(3,375,000)
Options expired	(369,477,024)	(62,900,500)
Balance at end of financial year	<b>54,852,000</b>	<b>424,371,825</b>

The following Options were on issue at 30 June 2023:

<b>Tranche</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Tranche 4 (granted on 10 August 2020)	12,244,500	4.4 cents	9 August 2024
Tranche 7 (granted on 27 November 2020)	25,607,500	4.4 cents	26 November 2024
Tranche 9 (granted on 26 February 2020)	5,000,000	5.0 cents	25 February 2025
Tranche 10 (granted on 5 May 2020)	4,000,000	5.0 cents	4 May 2025
Tranche 11 (granted on 10 December 2021)	8,000,000	4.4 cents	11 December 2023
<b>Total</b>	<b>54,852,000</b>		

**16. Reserves**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	3,434,444	3,454,737
Share based payment reserve	14,641,945	14,642,344
Other reserve	(9,939,836)	(9,939,836)
	<b>7,685,753</b>	<b>7,706,445</b>

**16. Reserves (cont'd)**

**16.1 Treasury shares**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Value of shares in KALiNA Power Limited (i)	(450,800)	(450,800)
	<b>(450,800)</b>	<b>(450,800)</b>

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

**16.2 Foreign currency translation reserve**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	3,454,737	3,632,735
Exchange differences arising on translating the net assets of foreign operations (i)	(20,293)	(177,998)
Balance at end of year	<b>3,434,444</b>	<b>3,454,737</b>

(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.

**16.3 Share based payments reserve**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	14,642,344	14,647,113
Value of options granted (i)	-	40,714
Value of options exercised	(399)	(45,483)
Balance at end of year	<b>14,641,945</b>	<b>14,642,344</b>

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

The share based payments reserve arises on the grant of options to directors, employees and consultants under the share plan. Amounts are recognised in accordance with note 2(n). 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 26 to the financial statements.

**16.4 Other reserve**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(9,939,836)	(9,939,836)
Movements during the year	-	-
Balance at end of year	<b>(9,939,836)</b>	<b>(9,939,836)</b>

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

**16. Reserves (cont'd)**

**16.5 Non-controlling interest**

	Consolidated	
	2023	2022
	\$	\$
Balance at beginning of year	(11,281,678)	(10,855,341)
Share of profit/(loss) for the year	(265,154)	(398,625)
Movement in foreign exchange values	(29,281)	(27,712)
Balance at end of year	<b>(11,576,113)</b>	<b>(11,281,678)</b>

**17. Accumulated losses**

	Consolidated	
	2023	2022
	\$	\$
Balance at beginning of year	(121,180,013)	(116,515,834)
Net profit/(loss) attributable to members of the parent entity	(4,658,535)	(4,664,179)
Balance at end of year	<b>(125,838,848)</b>	<b>(121,180,013)</b>

**18. Commitments**

**Capital commitments**

The Company had no capital commitments as at 30 June 2023 (2022: None).

**19. Subsidiaries**

Name of entity	Country of incorporation	Ownership interest	
		2023 %	2022 %
<b>Parent entity</b>			
KALiNA Power Limited	Australia		
<b>Subsidiaries</b>			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
Klamath Hills Geothermal LLC	USA	50.1	50.1
New Energy Asia Limited (i)	Cayman Island	75.6	75.6
It's group entity being			
Pacific Dynasty Limited (i) (ii)	Hong Kong	49.9	49.9
AWO (Shanghai) New Energy Technology Development Co Ltd (i)	China	100	100
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
KALiNA Power North America LLC (formerly Recurrent Engineering LLC) (i)	USA	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
KALiNA Distributed Power Limited	Canada	100	100
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100
(i)	None of these entities are part of the tax consolidation group.		
(ii)	Despite holding less than 50% ownership, as NEA controls the board of Pacific Dynasty, NEA therefore controls the operations and dividend distribution of the company. Hence, Pacific Dynasty is considered a subsidiary and accordingly has been consolidated with the group.		

**20. Cash and cash equivalents**

	Consolidated	
	2023	2022
	\$	\$
Cash and bank balances	<b>706,661</b>	<b>2,948,798</b>

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

	Consolidated	
	2023	2022
	\$	\$
Profit/(loss) for the year	(4,923,689)	(5,062,804)
Equity settled share based payment	-	40,714
Depreciation of property, plant and equipment	11,783	9,658
Foreign exchange (gains)/losses	35,455	28,096
Interest income received and receivable	(60,769)	(8,564)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	(34,814)	33,521
Increase / (decrease) in liabilities:		
Trade and other payables	242,784	(109,317)
Provisions	29,901	42,751
Net cash from/(used in) operating activities	<b>(4,699,349)</b>	<b>(5,025,945)</b>

**(ii) Non-cash investing/financing transactions**

There were no non-cash investing or financing activities during the year.

**21. 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.

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.

**21. Financial instruments (Cont'd)**

**(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 borrowings. 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 net of any impairment provision for those 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.

**(d) Liquidity risk management**

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

**Maturity profile of financial instruments**

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

Group

	Weighted Average Effective Interest Rate	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 -5 years \$	5+ years \$
<b>2023</b>						
<b><u>Financial assets</u></b>						
Trade and other receivables	-	11,245	3,935	37,604	-	-
Other receivables	-	41,506			48,407	-
<b><u>Financial liabilities</u></b>						
Trade payables		496,837	167,257	54,486		-
Other payables	10%	-	-	-	-	2,302,022
<hr/>						
<b>2022</b>						
<b><u>Financial assets</u></b>						
Trade and other receivables	-	8,892	2,864	6,062	-	-
Other receivables	-	1,266	58,894	-	32,810	-
<b><u>Financial liabilities</u></b>						
Trade payables		509,472	27,516			-
Other payables	10%	-	-	-	-	2,155,489
<hr/>						

## 21. 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.

#### Interest rate sensitivity analysis

##### Financial assets

As at 30 June 2023, the Group held \$706,661 (2022: \$5,348,801) in cash, cash equivalents and term deposits with interest revenue of \$60,769 (2022: \$8,564) for the year then ended. A sensitivity of 2% (2022: 2%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 2% (2022: 2%) increase in the cash rate would have resulted in a \$60,566 (2022: \$64,423) increase in interest revenue and equity. A 2% (2022: 2%) decrease in the cash rate would have resulted in a \$60,566 (2022: \$64,423) decrease in interest revenue and equity.

##### Financial liabilities

As at 30 June 2023, the Group's interest bearing other payables amounted to \$2,302,022 (2022: \$2,155,489). No sensitivity analysis is analyzed as all interest bearing payables carry fixed rate interest.

### (f) 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 minimising the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, unsecured secured borrowings listed below are denominated in United States Dollars (USD) British Pounds (GBP) and Canadian Dollars (CAD). Average rate applied during the year \$0.673 (2022: \$0.725) and reporting date spot rate \$0.664 (2022: \$0.689) for USD and average rate applied during the year £0.559 (2022: £0.545) and reporting date spot rate £0.524 (2022: £0.567) for GBP, and average rate applied during the year \$0.901 (2022: \$0.918) and reporting date spot rate \$0.879 (2022: \$0.888) for CAD.

Amounts of foreign currency in creditors and debtors

	Consolidated	
	2023	2022
	\$	\$
Trade Payables (USD)	(15,158)	(32,631)
Other Payables (USD)	(2,302,022)	(2,155,489)
Trade Payable (GBP)	(6,696)	(4,342)
Trade Payable (CAD)	(411,766)	(317,866)
Trade Receivables (CAD)	49,744	47,370

#### Movement in USD, CAD and GBP against AUD

	-20%	-20%	+20%	+20%
	2023	2022	2023	2022
	\$	\$	\$	\$
Change in gain/(loss) -USD	(579,996)	(547,034)	386,664	364,684
Change in gain/(loss) -GBP	(974)	(1,089)	648	721
Change in gain/(loss) -CAD	(90,507)	(67,624)	60,336	45,083

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.

## 22. 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	
	2023	2022
	\$	\$
Short-term employee benefits	1,224,515	873,268
Share based payment benefits	-	-
Post-employment benefits	78,250	73,000
	<b>1,302,765</b>	<b>946,268</b>

## 23. Related party transactions

### (a) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

### (b) Equity interests in associates

Details of interests in associates are disclosed in note 9 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 22 to the financial statements.

#### ii. Other transactions with key management personnel of the Group

R MacLachlan, T Horgan, M. Jacques, J Myers, P Littlewood, N Chea, R Rosine, K. Thurairasa, are key management personnel of KALiNA Power Ltd. 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 the Group and its related parties

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

- The following loans were advanced by the company during the year to Imparator Green Energy Plc \$20,448 (2022: \$45,151), KCT Power Limited \$3,694 (2022: \$19,294), New Energy Asia Limited \$25,274 (2022: \$58,583), KALiNA Power North America LLC \$175,135 (2022: \$282,144), KALiNA Distributed Power Limited \$2,192,400 (2022: \$2,564,067), and Klamath Hills geothermal Inc \$136,875 (2022: \$166,032)
- Interest charged on loan to New Energy Asia Limited at 10% amounted to \$259,535 (2022: \$255,190) and on loan to KCT Power Limited at 3.25% amounted to \$117,051 (2022: \$108,337) and on loan to KALiNA Power North America LLC at 5% amounted to \$326,433 (2022: \$292,094). Further interest charged on Loan to KALiNA Distributed Power Limited at 5% amounted to \$454,453 (2022: \$334,472) and to Klamath Hills Geothermal Inc at 5% amounted to \$25,720 (2022: nil).
- Mr Yu who is a director of New Energy Asia was owed \$836,812 (2022: \$824,538). Interest charged at 10% for the year amounted to \$48,084 (2022: \$47,656). (Note: 13)

**23. Related party transactions (cont'd)**

**(e) Parent entity**

The parent entity in the Group is KALiNA Power Limited.

**24 Remuneration of auditors**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Audit and review of the financial report HLB Mann Judd	86,500	87,000
Review and lodgment of tax return	10,500	12,250
	<b>97,000</b>	<b>99,250</b>

**25. Earnings per share**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic earnings (loss) per share</b>	(0.3)	(0.3)
<b>Diluted earnings (loss) per share</b>	(0.3)	(0.3)

**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:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Net (loss)/profit (i)	(4,658,535)	(4,664,179)

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

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,515,188,633	1,378,811,411

**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.



## 26. Share-based payments

During the financial year nil options were issued.

The following reconciles the outstanding options granted to employees at the beginning and end of the financial year:

	2023		2022	
	Number of rights	Weighted average exercise price cents	Number of rights	Weighted average exercise price cents
Balance at beginning of the financial year	92,963,000	3.8	150,638,500	3.4
Expired during the year	(38,111,000)	2.7	(62,300,500)	3.1
Granted during the financial year	-	-	8,000,000	4.4
Exercised during the year (i)	-	-	(3,375,000)	1.8
Balance at end of the financial year (ii)	54,852,000	4.5	92,963,000	3.8
Exercisable at end of the financial year	54,852,000	4.5	92,963,000	3.8

### (a) Exercised during the financial year

During the financial year nil (2022: 3,375,000) options granted under the employee share option plan were exercised.

### (a) Balance at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of 4.5 cents (2022: 3.8 cents) and average remaining contractual life of 455 days (2022: 582 days).

## 27. 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.

- On 27 July 2023, the Company announced that PWC Corp Finance launched its marketing to finance development funding up to C\$56m and this is expected this to be completed before the end of the current calendar year.
- On 17 August 2023, the Company announced that it had completed a 10% convertible note issue for \$625,000 to be used for working capital requirement. The notes are convertible at 0.0826 cents before 30 July 2024.

## 28. Contingent liabilities

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

## 29. 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

	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Assets</b>		
Current assets	554,139	5,356,446
Non-current assets (i)	26,371,137	23,306,414
Total assets	26,925,276	28,662,860
<b>Liabilities</b>		
Current liabilities	587,446	412,187
Non-current liabilities	-	42,543
Total liabilities	587,446	454,730
<b>Equity</b>		
Issued capital	127,281,526	127,279,244
Accumulated losses	(114,597,035)	(112,724,851)
Reserves		
Equity settled benefits	13,653,339	13,653,737
Total equity	26,337,830	28,208,130

### Financial performance

	<b>Year ended</b>	<b>Year ended</b>
	2023	2022
	\$	\$
(Loss)/Profit for the year	(1,872,183)	(2,260,285)
Other comprehensive income	-	-
Total comprehensive income	(1,872,183)	(2,260,285)

(ii) Relate to investment in and receivables from subsidiaries

### Contingent liabilities of the parent entity

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

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

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

## Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable based on the factors outlined in note 2 going concern of the financial statements.
- (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 2023, 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* from the Chief Executive Officer and Chief Financial Officer.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'T. Horgan', with a horizontal line extending to the right.

Timothy Horgan  
Executive Director

Melbourne, 31 August 2023

## Independent Auditor's Report to the Members of Kalina Power Limited

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of Kalina Power Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Material Uncertainty Regarding Going Concern

We draw attention to Note 2 *Going Concern* in the financial report, which indicates that the Group incurred a net loss of \$4,923,689 during the year ended 30 June 2023 (30 June 2022: \$5,062,804), and, as of that date, had a net deficiency of assets over liabilities of \$2,447,382 and its current liabilities exceeded its current assets by \$171,715. The ability of the Group to continue as a going concern includes the key assumption that it will be able to raise further funds. As stated in Note 2 *Going Concern*, these events or conditions, along with other matters as set forth in Note 2 *Going Concern*, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON THE REMUNERATION REPORT**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of the Group for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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.

HLB Mann Judd

**HLB Mann Judd**  
**Chartered Accountants**

Melbourne  
31 August 2023

A handwritten signature in black ink, appearing to read 'M Gummery', with a stylized flourish at the end.

**Michael Gummery**  
**Partner**

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 30 August 2023.

**Twenty largest Shareholders**

Shareholder	% of Issued Capital
1 SINALUNGA PTY LTD <THE SINALUNGA A/C>	* 6.33
2 CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>	4.36
3 LIGHTGLOW ENTERPRISES PTY LTD <PALOMA INVESTMENTS A/C>	3.21
4 CITICORP NOMINEES PTY LIMITED	2.90
5 PAN ANDEAN CAPITAL PTY LTD	2.61
6 KEO PROJECTS PTY LTD <SUPERANNUATION FUND A/C>	2.37
7 SASSEY PTY LTD <SASSEY A/C>	1.93
8 INVIA CUSTODIAN PTY LIMITED <KENNETH EVERETT PROD LTD A/C>	1.62
9 ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	1.60
10 SASSEY PTY LTD <AVAGO SUPER FUND A/C>	1.42
11 FARNETA PTY LTD <MECCA COSMETICA SUPER A/C>	1.31
12 BLACKCOURT (NSW) PTY LIMITED <LAWSAM SUPER FUND A/C>	1.19
13 SASSEY PTY LTD <AVAGO SUPER FUND A/C>	1.11
14 DR DAVID JAMES WALLAND	1.06
15 DANUBE PTY LTD	1.04
16 FLUE HOLDINGS PTY LTD <BROMLEY SUPERANNUATION A/C>	0.99
17 THIRTY SIXTH VILMAR PTY LTD	0.99
18 MR BORIS PATKIN	0.97
19 LOGICA (OVERSEAS) LIMITED	0.97
20 MR TIMOTHY NICHOLAS WISE	0.95

\* Significant Shareholder of the Company

**Distribution of shareholdings**

Range	Total holders	Units	% Units
1 - 1,000	1,900	287,314	0.02
1,001 - 5,000	167	346,224	0.02
5,001 - 10,000	38	299,329	0.02
10,001 - 100,000	557	24,498,267	1.62
100,001 Over	740	1,489,764,652	98.32
<b>Total</b>	<b>3,402</b>	<b>1,515,195,786</b>	<b>100.00</b>

The number of shareholders holding less than a marketable parcel is 2,446

***Voting Rights***

All shares carry one vote per share without restriction

***On Market Buy-back***

There is no current on market buy-back

***Restricted Securities***

The Company does not have any restricted securities on issue.