

Sinopec Hainan Project entering final phase

- Executed documentation **formalising KALiNA's role and reimbursement process**
- Project now at **85% mechanical completion** and entering final phase
- Updated budget agreed with **Sinopec providing project funding** to complete the project
- Updated completion schedule **targeting 2Q 2017**
- Focused on the success of the project and **actively engaged with partners in China**

KALiNA Power Limited (ASX:KPO, "KALiNA" or the "Company") is pleased to announce that the documentation necessary to formalise KALiNA's role and reimbursement for managing completion of the Sinopec Hainan Project has now been executed by all the parties.

KALiNA announced on 29 August 2016 that it had entered into a tri-party arrangement between KALiNA's Chinese subsidiary A&W (Shanghai) New Energy Technology Development Co., Ltd ("A&W"), Sinopec and Shanghai Shenghe New Energy ("SSNE") by which the parties agreed A&W would take over management of the Sinopec Hainan Project. This had become necessary because progress at the project had stalled due to the failure of SSNE to execute the contract in a timely manner. SSNE had also failed to have KALiNA review the design and major equipment selection for the project as required under the terms of its license. At Sinopec's request, KALiNA and A&W agreed to oversee the completion of the project and assist with remediating identified potential shortcomings in the SSNE design.

The announcement on 29 August 2016 referenced ongoing work to finalise a payment schedule for the project and other ancillary documentation. This documentation is now finalised and includes a supplementary agreement with SSNE confirming the terms on how funds received from Sinopec shall be applied. The Company expects reimbursement for a significant portion of its project support costs as well as payment of its technology fee.

Construction at the Sinopec Hainan Project re-commenced in September 2016 and has been ongoing under A&W's supervision. A&W set up the required systems and renegotiated the engagement terms of various sub-contractors, which included change orders to several key contracts. Sinopec has recommenced project funding and paid for change orders negotiated by A&W. Project construction has now entered the final phase with the project currently at 85% mechanical completion.

KALiNA's US engineering group together with the A&W team have updated their project assessment to identify potential project risks and required corrective measures. The assessment is an ongoing process which will continue to be updated through final commissioning and operation. Highlights of the current assessment include the following:

- Updated completion targets for mechanical completion, commissioning and electricity generation in 2Q 2017
- The project is currently within the budget set out in the original EPC agreement
- Identification of potential project risks including onsite hydrostatic testing of the heat exchangers, turbine repairs and installation; piping requirements; need to complete a chemical clean of the plant; potential remedial actions; and recommendations necessary to deliver a safe, effective and timely project



Documentation formally executed by the parties emphasize the commitment to completion of the project with safety and legal compliance as high priorities.

Sinopec's ongoing cooperation and efforts to successfully complete the Sinopec Hainan Project is consistent with their commitments to institute waste heat recovery technology throughout much of their industrial infrastructure and foster the opportunity for the KALiNA Cycle® to play an important role in achieving their sustainability targets.

KALiNA is dedicated to assisting the project in every way possible to ensure it is an operating success and a foundation to obtaining significant repeat orders in China. As part of this strategy, KALiNA's management have spent the last several months engaged with various stakeholders and partners in response to increased market activity and demand for waste heat recovery power projects in China. The relationship with SSNE and its major shareholders have been very constructive and engaging as all the parties look to capitalise on this significant market opportunity. Management is currently actively engaged with its partners in China to bolster its capacity to properly address the market and expects to report on this progress shortly.

For further information, please contact:

Tim Horgan
Executive Director

Alwyn Davey
Company Secretary

Ph: +61 (0)3 9236 2800