

**KALINA POWER LIMITED
AND ITS CONTROLLED ENTITIES
ABN 24 000 090 997
APPENDIX 4E
PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2020**

Results for Announcement to the Market

31 August 2020

Current Period:

1 July 2019 to 30 June 2020

Previous corresponding period:

1 July 2018 to 30 June 2019

Results	AUD\$		
Revenues from ordinary activities		0% to	nil
Loss from ordinary activities after tax attributable to members	Down	5.7% to	4,523,365
Net loss for the period attributable to members	Down	5.7% to	4,523,365

Dividends	Amount per security	Franked amount per security
Final dividend – no dividend is proposed	n/a	n/a
Previous corresponding period – no dividend declared	n/a	n/a
†Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2) <div style="border: 1px solid black; display: inline-block; padding: 5px; margin-left: 20px;">n/a</div>		

Net Tangible Assets per security	Current Period	Previous Period
Net tangible asset backing per ordinary security	(0.32) cents	(0.24) cents

Audit of Financial Report

This Appendix 4E is based on accounts that are in the process of being audited. The Company anticipates that the Independent Auditors Report in the Audited Accounts may include an Emphasis of Matter with regard to its Going Concern note to the Accounts. This Going Concern note is expected to be similar to that set out in Note 1 below.

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of profit and loss and other comprehensive income
for the financial year ended 30 June 2020

	<u>Note</u>	Consolidated	
		2020	2019
		\$	\$
Revenue		-	-
Cost of Sales		-	-
Gross profit/(loss)		-	-
Other income	4(a)	405,170	186,116
Finance income	4(a)	1,413	13,916
Employee benefits expenses	4(b)	(2,207,627)	(2,846,482)
Administration expenses		(318,993)	(322,609)
Depreciation and amortisation expenses	4(b)	(4,889)	(4,657)
Doubtful debts	4(b)	-	(15,290)
Travel expenses		(170,836)	(342,881)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss		1,287	-
Legal and professional fees		(2,022,046)	(1,330,243)
Patent costs		(275,150)	(398,468)
Foreign exchange gain/(loss)	4(a)	11,908	21,515
Finance costs	3	(134,869)	(128,913)
Loss before tax		(4,714,632)	(5,167,996)
Income tax benefit/(expense)		-	-
Loss for the year		(4,714,632)	(5,167,996)
Attributed to:			
Owners of the parent		(4,523,365)	(4,797,721)
Non-controlling interest		(191,267)	(370,275)
		(4,714,632)	(5,167,996)
Other comprehensive income			
Exchange reserve arising on translation of foreign operations		(43,964)	(91,182)
Other comprehensive income for the period net of tax		(43,964)	(91,182)
Total comprehensive income/(loss) for the period		(4,758,596)	(5,259,178)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(4,297,511)	(4,864,555)
Non-controlling interest		(461,085)	(394,623)
		(4,758,596)	(5,259,178)
(Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	13	(0.6)	(1.0)
Diluted (cents per share)	13	(0.6)	(1.0)

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of financial position as at 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents		440,600	1,028,238
Trade and other receivables	5	98,101	47,271
Other financial assets		2,573	-
Total current assets		541,274	1,075,509
Non-current assets			
Trade and other receivables	6	-	25,131
Investments accounted for using the equity method	7	9,200	9,200
Property, plant and equipment		19,707	15,498
Total non-current assets		28,907	49,829
Total assets		570,181	1,125,338
Current liabilities			
Trade and other payables	8	974,110	791,453
Provisions	9	291,703	334,097
Total current liabilities		1,265,813	1,125,550
Non-current liabilities			
Borrowings	10	1,881,133	1,730,065
Provision	9	38,673	-
Total non-current liabilities		1,919,806	1,730,065
Total liabilities		3,185,619	2,855,615
Net assets/(liabilities)		(2,615,438)	(1,730,277)
Equity/(net deficiency)			
Issued capital	11	113,804,238	110,666,415
Reserves		2,918,442	1,956,976
Accumulated losses	12	(108,650,252)	(104,126,887)
Total equity attributable to equity holders of the company		8,072,428	8,496,504
Non-controlling interest		(10,687,866)	(10,226,781)
Total equity/(net deficiency)		(2,615,438)	(1,730,277)

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES
Consolidated statement of changes in equity for the financial year ended 30 June 2020

	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 \$
Balance at 1 July 2018	108,055,758	3,350,050	8,851,908	(9,939,836)	(450,800)	(99,329,166)	10,537,914	(9,832,158)	705,756
Profit/(loss) for the year	-	-	-	-	-	(4,797,721)	(4,797,721)	(370,275)	(5,167,996)
Movement in foreign exchange values	-	(66,834)	-	-	-	-	(66,834)	(24,348)	(91,182)
Total comprehensive income for the period	-	(66,834)	-	-	-	(4,797,721)	(4,864,555)	(394,623)	(5,259,178)
Value of options issued	-	-	212,488	-	-	-	212,488	-	212,488
Issue of shares	2,816,202	-	-	-	-	-	2,816,202	-	2,816,202
Share issue cost	(205,545)	-	-	-	-	-	(205,545)	-	(205,545)
Balance at 30 June 2019	110,666,415	3,283,216	9,064,396	(9,939,836)	(450,800)	(104,126,887)	8,496,504	(10,226,781)	(1,730,277)
Balance at 1 July 2019	110,666,415	3,283,216	9,064,396	(9,939,836)	(450,800)	(104,126,887)	8,496,504	(10,226,781)	(1,730,277)
Profit/(loss) for the year	-	-	-	-	-	(4,523,365)	(4,523,365)	(191,267)	(4,714,632)
Movement in foreign exchange values	-	225,854	-	-	-	-	225,854	(269,818)	(43,964)
Total comprehensive income for the period	-	225,854	-	-	-	(4,523,365)	(4,297,511)	(461,085)	(4,758,596)
Value of options issued	-	-	735,612	-	-	-	735,612	-	735,612
Issue of shares	3,292,000	-	-	-	-	-	3,292,000	-	3,292,000
Share issue cost	(154,177)	-	-	-	-	-	(154,177)	-	(154,177)
Balance at 30 June 2020	113,804,238	3,509,070	9,800,008	(9,939,836)	(450,800)	(108,650,252)	8,072,428	(10,687,866)	(2,615,438)

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES
Consolidated cashflow statement for the financial year ended 30 June 2020

	<u>Note</u>	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from management fees		100,737	163,213
Interest and finance costs paid		-	(6,895)
Payments to suppliers and employees		(4,017,027)	(4,887,866)
Government cash flow boost		50,000	-
Net cash provided by/(used in) operating activities		(3,866,290)	(4,731,548)
Cash flows from investing activities			
Interest received		1,413	21,750
Payment for plant and equipment		(9,098)	-
Proceeds from investment held for trade		147,827	-
Receipts/(payment) for deposits		10,191	(10,553)
Net cash provided by/(used in) investing activities		150,333	11,197
Cash flows from financing activities			
Proceeds from issue of shares and options		3,292,000	2,816,202
Capital raising costs		(163,681)	(195,016)
Net cash provided by/(used in) financing activities		3,128,319	2,621,186
Net (decrease) / increase in cash and cash equivalents		(587,638)	(2,099,165)
Cash and cash equivalents at the beginning of the financial year		1,028,238	3,127,403
Cash and cash equivalents at the end of the financial year		440,600	1,028,238

Notes to the preliminary final report

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the annual financial report at 30 June 2019, and as amended as disclosed in the interim financial report at 31 December 2019.

Going concern

The consolidated entity's operating loss for the year ended 30 June 2020 amounted to \$4,714,632 (30 June 2019: loss of \$5,167,996).

The consolidated entity had net current liabilities as at 30 June 2020 of \$724,539 (30 June 2019: net current assets \$50,041). 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 September 2021.

The above statement is underpinned by certain key assumptions including:

- Subsequent to year end, on 7 July 2020, the Company announced that it had secured \$8m equity placement facility with Long State Investment Limited. Under the terms of the facility, the Company at its discretion, place new ordinary shares in the Company with Long State up to a total of \$8m over the next 24 months. This facility allowed the Company to draw in tranches of \$400,000 in any period of 20 trading days.
- On 24 July 2020, the Company announced that it intends to undertake a \$6.1m fully underwritten non-renounceable entitlement offer to all eligible shareholders on the basis of 3 new shares for every 10 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue.
- On 29 July 2020, the Company announced that the entitlement offer increased and was fully underwritten at \$6.8m to all eligible shareholders on the basis of 1 new share for every 3 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue and on 3 August 2020, the Company filed a prospectus for non-renounceable issue to raise \$6.8m.
- With the above fully underwritten capital raising the company expects to reach "Full Notice to Proceed" stage by end of first quarter 2021, at which stage the Company expects to receive approximately \$8.3m (C\$7.5m) by way of reimbursement of development costs and development fee for the first two projects the Company is currently working on.

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

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.

Notes to the preliminary final report

2. Segment information

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

	Segment income		Segment profit/(loss)	
	2020	2019	2020	2019
	\$	\$	\$	\$
Continuing operations				
Investments	298,677	182,056	(1,421,397)	(2,824,857)
Power business	107,906	17,976	(3,293,235)	(2,343,139)
Total of all Segments	406,583	200,032	(4,714,632)	(5,167,996)
Unallocated items				
Share of loss of associate			-	-
Total loss before tax			(4,714,632)	(5,167,996)
Exchange reserve arising on translation of foreign operations			(43,964)	(91,182)
Company tax			-	-
Total comprehensive income for the period			(4,758,596)	(5,259,178)

The segment income reported above represents revenue and other income recognised during the period. There were no intersegment sales in the current year (2019: 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

	2020	2019
	\$	\$
Investments	458,824	1,080,214
Power business	111,357	45,124
Total segment assets	570,181	1,125,338
Unallocated assets	-	-
Total assets	570,181	1,125,338

(iii) Segment liabilities

	2020	2019
Investments	795,548	877,474
Power business	2,390,071	1,978,141
Total liabilities	3,185,619	2,855,615

Notes to the preliminary final report

2. Segment information (cont'd)

(iv) Geographical information

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

	Non-current assets	
	2020	2019
	\$	\$
Australia	28,907	49,829
China	-	-
Canada	-	-
USA	-	-
	28,907	49,829

(v) Other segment information

	Depreciation and amortisation	
	2020	2019
	\$	\$
Investments	4,889	4,657
Power	-	-
	4,889	4,657

3. Finance costs

	Consolidated	
	2020	2019
	\$	\$
Interest and expenses – related parties	1,370	-
Interest – other	133,499	128,913
	134,869	128,913

Weighted average rate of funds borrowed is 10% (2019 – 10%)

Notes to the preliminary final report

4. 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	
	2020	2019
	\$	\$
Management fee	91,171	165,011
Profit on sale of investments	156,093	-
Government cashflow boost	50,000	-
Gain on creditors no longer payable	107,906	21,105
Other income/(expenses)	405,170	186,116
Interest income	1,413	13,916
Net foreign exchange gains/(losses)	11,908	21,515

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2020	2019
	\$	\$
Rental expenses	83,781	83,408
Depreciation of plant and equipment	4,889	4,657
Loss allowance on other receivable	-	15,290
Employee benefit expense:		
Defined contribution plans	73,494	99,741
Share based payments	575,444	137,341
Salaries and wages	1,558,689	2,609,400
	2,207,627	2,846,482

Notes to the preliminary final report

5. Trade and other receivables: current

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	1,253	14,935
Goods and services tax recoverable	46,929	21,028
Receivable from key management personnel (note 23)	16,322	732
Other receivables	33,597	26
Receivables from director related entities	-	10,550
	98,101	47,271

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

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Credit risk

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivable specifically provided for and mentioned within note 5.

6. Trade and other receivables: non-current

	Consolidated	
	2020	2019
	\$	\$
Rental bond	-	14,578
Deposit for land site	-	10,553
	-	25,131

Notes to the preliminary final report

7. Investments accounted for using the equity method

	Consolidated	
	2020 \$	2019 \$
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	9,200	9,200

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2020 %	2019 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%

Dividends received from associates

No dividends were received during the year (2019: Nil) from its associate.

8. Trade and other payables – current

	Consolidated	
	2020 \$	2019 \$
Unsecured:		
Trade payables (i)	974,110	791,453
	974,110	791,453

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

Notes to the preliminary final report

9. Provisions:

	Consolidated	
	2020 \$	2019 \$
Employee benefits	330,376	334,097
	330,376	334,097
Disclosed as current	291,703	334,097
Disclosed as non-current	38,673	-
	330,376	334,097

10. Borrowings: non-current

	Consolidated	
	2020 \$	2019 \$
Borrowings (i)	1,881,133	1,730,650
	1,881,133	1,730,650

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

11. Issued capital

	Consolidated	
	2020 \$	2019 \$
Fully paid ordinary shares		
30 June 2020: 819,200,174		
(30 June 2019: 725,143,031)	113,804,238	110,666,415

	2020		2019	
	No.	\$	No.	\$
11.1 Ordinary shares				
Balance at beginning of year	725,143,031	110,666,415	443,522,812	108,055,758
Exercise of options	-	-	-	-
Issue of shares	94,057,143	3,292,000	281,620,219	2,816,202
Share issue costs		(154,177)		(205,545)
Balance at end of financial year	819,200,174	113,804,238	725,143,031	110,666,415

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 2019	725,143,031		110,666,415
New Issue	30 October 2019	74,570,485	0.035	2,609,967
New Issue	7 November 2019	6,499,999	0.035	227,500
New Issue	28 November 2019	12,986,659	0.035	454,533
Capital raising costs		-		(154,177)
Balance	30 June 2020	819,200,174		113,804,238

Notes to the preliminary final report

12. Accumulated losses

	Consolidated	
	2020	2019
	\$	\$
Balance at beginning of year	(104,126,887)	(99,329,166)
Net profit/(loss) attributable to members of the parent entity	(4,523,365)	(4,797,721)
Balance at end of year	(108,650,252)	(104,126,887)

13. Earnings per share

	Consolidated	
	2020	2019
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.6)	(1.0)
Diluted earnings (loss) per share	(0.6)	(1.0)

Basic earnings per share

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

	2020	2019
	\$	\$
Net (loss)/profit (i)	(4,523,365)	(4,797,721)

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

	2020	2019
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	786,933,706	500,345,297

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.

14. Net Tangible Assets

	Consolidated	
	2020	2019
	\$	\$
Net tangible asset backing per ordinary security	(0.32) cent	(0.24) cents