

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

- **Received A\$482,000** for outstanding license fees
- Appointed Mr. James Fitzowich to **focus on North American operations**
- Raised **A\$875,000 in cash proceeds** from exercise of options
- **Progress continued to be made** in construction of the Sinopec Hainan Plant with Mechanical Completion Milestone now anticipated shortly
- **Increase in global project business development** activities
- Post quarter **appointment of Peter Littlewood** to the KALiNA Power Board
- **Healthy cash position of A\$4.3 million** held as at 30 June 2017

KALiNA Power Limited (ASX:KPO, “KALiNA” or the “Company”) is pleased to provide the following operational update to shareholders on the activities of the Company, as well as its Appendix 4C for the quarter ended 30 June 2017.

During the quarter, the Company received A\$482,000 from FL Schmidt as payment for outstanding license fees and completed engineering reviews on the DG Khan plant in Pakistan. This reinforces the enhanced compliance standards that have been established, and are being enforced by KALiNA management.

Mr. James Fitzowich was appointed, in April 2017, to focus on North American operations. Mr. Fitzowich is a highly-experienced energy executive, with over 29 years of experience in the midstream energy industry, having previously held the position of Vice President Operations at Pristine Power and, more recently, the Vice President Corporate Development of Veresen and Chair of NRGreen Power. He has substantial credentials in the development, acquisition, financing, and operation of independent power projects. Specifically, he was involved in the development, implementation, and operation of 8 Organic Rankine Cycle (“ORC”) power projects and 6 conventional Waste Heat Recovery Generator (“WHRG”) Rankine cycle steam plants, which are alternatives to the KALiNA Cycle®. The appointment of Mr. Fitzowich was in response to the growing interest being shown in the industrial waste heat market of Canada and the US.

At the end of April 2017, Harrington Global (“Harrington”), KALiNA’s largest shareholder, exercised 17,500,000 options at 5c per share, which provided A\$875,000 in cash proceeds to the Company. Subsequent to the options exercise, Harrington also agreed to sell 5,050,000 shares to members of KALiNA’s management, Board, and advisors at 5c per share.

During the quarter, significant progress was made in the completion of the Sinopec power plant on Hainan Island, China (“Sinopec Hainan Plant”) and Sinopec now believes that the Mechanical Completion Milestone will likely be achieved next week. KALiNA was advised during the quarter that Sinopec’s head office had emphasised the importance of completing the plant as quickly as possible. They urged all relevant parties and contractors to increase their resources and dedication to completing the project.

To this end, Sinopec accelerated funding, increased the number of people working on the project and hired additional contractors. A significant increase in activity occurred during the quarter, with at times over 50 people working on site.

Several trips were also made by KALiNA's US engineering team and its own consultants to the project. As a result of this activity, all major pieces of equipment have now been delivered to the site and installed. All piping, pumps and associated infrastructure is complete. The project is now preparing for chemical cleaning of all pipes and vessels. The integrated control system have all been wired and are now being integrated for operation. The turbine manufacture is supporting a Chinese based turbine vendor to calibrate the turbine. A more detailed and specific update on the final date for achieving the Mechanical Completion Milestone as well as scheduled dates for commissioning and start up will be provided shortly.

Subsequent to the quarter end, Mr. Peter Littlewood was appointed to the KALiNA Board as a Non-Executive Director. Mr. Littlewood has over 40 years' experience in the power industry, including 36 years with CLP Group ("China Light and Power"), one of the largest power companies in the Asia-Pacific region, with a market capitalisation exceeding A\$34 billion. Formerly he was the Group Director of Operations at CLP Group and was responsible for engineering, project management, construction, operations, and fuel supply for the power generation portfolio across China, Hong Kong, India, and other Asia-Pacific countries. The ongoing recruitment of experienced and proven industry professionals is a key element of KALiNA's business strategy, which is focused on the rapid deployment of the KALiNA Cycle® technology in key markets globally.

As at 30 June 2017, the Company held A\$4.3 million in cash, a decrease of only A\$112,000 from the March quarter. KALiNA believes that it is funded under its current business plan to achieve positive cash flow operations without reliance on the exercise of options currently outstanding. In the money options exercisable prior to 30 August 2017 can provide an additional A\$3.9 million of potential cash proceeds. The additional capital that the exercise of options provide would be utilised to accelerate the commercial deployment of the KALiNA Cycle®.

**For further information, please contact:**

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Executive Director

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Company Secretary

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

KALINA POWER LIMITED

**ABN**

24 000 090 997

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	487	830
1.2 Payments for		
(a) Projects and development	(338)	(887)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(771)	(2,111)
(f) administration and corporate costs	(359)	(1,781)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	83
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Security Deposit	(12)	(27)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(985)</b>	<b>(3,893)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(4)
(b) businesses (see item 10)	-	-
(c) investments	(6)	(6)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	(141)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	<b>(5)</b>	<b>(5)</b>
<b>2.4 Dividends received (see note 3)</b>	<b>-</b>	<b>-</b>
<b>2.5 Other (provide details if material)</b>	<b>1</b>	<b>-</b>
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(12)</b>	<b>(156)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	5,818
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	823	2,134
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(467)
3.5 Proceeds from borrowings	45	152
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	(5)	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>863</b>	<b>7,637</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,455	755
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(985)	(3,893)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	(156)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	863	7,637

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	22	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,343</b>	<b>4,343</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	986	1,521
5.2	Call deposits	3,357	2,934
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,343</b>	<b>4,455</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
188
-

Fees paid to directors under normal commercial terms

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
14
5

7.1 – Paid to Twenty Second Yeneb for rent and outgoings on normal commercial terms

7.2 – Funds advanced to AWT Pty Ltd, an associate of Aqua Guardian Group Ltd being a subsidiary of the Company.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	200	152
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Projects and development	249
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	625
9.6 Administration and corporate costs	394
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,268</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 July 2017  
(Director/Company secretary)

Print name: Alwyn Davey.

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.