KALINA POWER LIMITED

ABN 24 000 090 997

Half-year financial report for the half-year ended 31 December 2016

Contents

CORPORATE DIRECTORY

Directors:	Mr John Byrne	Executive Chairman
	Mr Tim Horgan	Executive Director
	Mr Ross MacLachlan	Executive Director
	Dr Malcolm Jacques	Non-executive Director
	Mr Jeffry Myers	Non-executive Director

Company Secretary: Mr Alwyn Davey

Registered Office:
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114-116 Auburn Road
Hawthorn VIC 3122
Telephone: + 61 3 9236 2800
Facsimile: + 61 3 9818 3656

Principal Place of Business:
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Share Registry:
Computershare Registry Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Vic, Australia, 3067
Telephone: 1300 787 272

Bankers:
Commonwealth Bank of Australia
385 Bourke Street
Melbourne VIC 3000

Auditors:
HLB Mann Judd
Level 9, 575 Bourke Street
Melbourne VIC 3000
Telephone: + 61 3 9606 3888
Facsimile: + 61 3 9606 3800

Solicitors:
Gadens Lawyers
Level 25 Bourke Place
600 Bourke Street
Melbourne VIC 3000

Stock Exchange: The Company is listed on 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.

Directors' report

The directors of Kalina Power Limited present the interim financial report of the company and its subsidiaries (the consolidated entity) for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporation's Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr John Byrne
Executive Chairman

Dr Malcolm Jacques
Non-executive Director

Mr Jeffry Myers (Appointed 19 October 2016)
Non-executive Director

Mr Tim Horgan
Executive Director

Mr Ross MacLachlan
Executive Director

Review of operations

The total loss of the consolidated entity attributable to the owners of the parent for the half year ended 31 December 2016 was $6,233,331 (2015: Restated net loss $1,071,354). This equates to a basic loss per share of 2.5 cents (2015: Restated basic loss per share of 0.9 cents). During the half year options were issued to directors and officers of the company and an amount of $3,580,994 was charged to employee benefits expenses being the value of options issued and included in the total loss set out above.

During the period, the Company completed its fundraising of $8.48m before costs as well as received option exercise monies for a further $1.26m. This funding places the Company in a healthy financial position as it continues to deliver the business plans being executed on by the team. The leadership of the Company was strengthened in the period with the appointment of Jeffry Myers (former Pristine Power Chairman and CEO) to the board as a non-executive director. Additionally, the business development capability of the group was enhanced through the appointment of Geoff Scott (former Pristine Power executive) to oversee the review and response to the numerous project opportunities available to the Company.

While significant progress is being made in the market in China, the Company is seeing increased interest on project opportunities in North American, Europe and Japan.

During the year ended 30 June 2016, the Company accounted for the re-acquisition of control of its subsidiary, New Energy Asia Limited ("NEA") having accounted for the loss of control of NEA in the prior year. Following discussions with ASIC, the Company reviewed the accounting treatment of this loss of control and subsequent re-acquisition and deemed it appropriate to correct its accounting treatment for the transactions and therefore in accordance with AASB 108, the Company has corrected this error by restating the comparative financial information. In addition, for further clarity, the Company has also included disclosure of the original and restated financial information for the year ended 30 June 2015. The full details of this restatement are set out in Note 9, on pages 19 to 21.

New Energy Asia Limited (NEA)
The Company's subsidiary for China, A&W, continued working with Sinopec and SSNE on the ongoing delivery of the Sinopec Hainan Kalina Cycle power plant. On 29 August 2016, the parties entered into a tri-party agreement to govern the process through to completion of the project. The ancillary documents forming a part of this agreement were executed in February 2017.

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. Updated completion targets for mechanical completion, commissioning and electricity generation are in 2Q 2017.

Licensees
The Company is in discussions with its legacy licensees, namely FLSmidth in the cement and lime industry, and Geysir in Germany, as to the way forward with each party and the interaction of these licensees with the new business model of Kalina Power. As the intention is for Kalina to emphasize the need for compliance in its licensing to ensure better control over the quality and delivery of Kalina Cycle power plants, it will need to work more closely with its legacy licensees on this process.

FLSmidth is a leading provider of engineering services to the cement and lime industries. FLSmidth has two Kalina Cycle® power plant projects. The first 8.6 MWe power plant at the DG Khan cement plant in Pakistan has been completed however it is not yet at full operating levels. This plant has been operating at reduced levels due to provision of heat at lower than design levels. Notwithstanding this, the plant has been producing approximately 6MWe of power on average and is only expected to operate at its nameplate capacity of 8.6MWe if the expected heat is available. The commencement of operations at this plant marked the first installation of a Kalina Cycle® power plant in the cement and lime industry.

FLSmidth have also completed construction of a 4.75 MWe Kalina Cycle power plant at Star Cement at Ras Al Khaimah, in the United Arab Emirates.

Geysir, the Kalina Cycle licensee in Germany, has been developing the Geothermie Taufkirchen power plant. Geothermie Taufkirchen and Geysir have completed the majority of the construction of the Kalina Cycle power plant however there was a manufacturing issue with the heat exchangers installed in the project. New heat exchangers are in the process of being installed at the site and the power plant is now anticipated to come online in mid 2017.

Corporate
Loss for the half year attributed to owners of the parent was $6,233,331 (2015: Restated loss $1,071,354).

Subsequent events

No events or matters have arisen which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

Auditor's independence declaration
The auditor's independence declaration is included on page 6 of the half-year financial report.

Signed in accordance with a resolution of directors' made pursuant to *S.306(3)* of the *Corporations Act 2001*.

On behalf of the Directors

Tim Horgan
Director
Melbourne, 28 February, 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the half-year financial report of Kalina Power Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

This declaration is in respect of Kalina Power Limited and the entities it controlled during the half-year ended 31 December 2016.

HLB Mann Judd

Tim Fairclough

HLB Mann Judd
Chartered Accountants

Tim Fairclough
Partner

Melbourne
28 February 2017

HLB Mann Judd (VIC Partnership)
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Independent Auditor's Review Report to the Members of Kalina Power Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kalina Power Limited ("the Company") which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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HLB Mann Judd

Accountants | Business and Financial Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kalina Power Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the going concern disclosure set out in note 1 *Going Concern*, which identifies that the half-year financial report has been prepared using the going concern basis. The factors identified in note 1 *Going Concern* of the half-year financial report indicate the existence of a material uncertainty that may cast significant doubt upon the ability of the Company and the Consolidated entity to continue as a going concern and therefore the Company and the Consolidated entity may not be able to realise their assets and extinguish their liabilities in the normal course of business.

HLB Mann Judd

Tim Fairclough

HLB Mann Judd
Chartered Accountants

Tim Fairclough
Partner

Melbourne
28 February 2017

Directors' declaration

In accordance with a resolution of the directors of Kalina Power Limited, the directors of the Company declare that:

1. The Financial Statements and notes as set out on pages 10 to 21 are in accordance with the Corporates Act 2001 including:

    a. Complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and

    b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ending on that date.

2. In the directors opinion and based on the factors outlined in Note 1 Going Concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Tim Horgan
Director
Melbourne, 28 February, 2017

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

	Note	Consolidated Half-year ended 31 Dec 2016 $	Restated Year ended 30 Jun 2016 $	Restated Half-year ended 31 Dec 2015 $
Continuing operations				
Revenue		22,298	523,216	2,312
Cost of sales		-	-	-
Gross (loss)/profit		22,298	523,216	2,312
Other revenue/(expenditure)		7,204	402,549	-
Finance income		128,885	133,167	90,724
Employee benefits expenses		(4,778,406)	(1,691,559)	(838,757)
Administration expenses		(335,117)	(417,385)	(295,113)
Depreciation and amortisation expenses		(2,894)	(77,258)	(43,197)
Travel expenses		(279,703)	(257,294)	(82,407)
Gain/(Loss) on revaluation of financial assets fair valued through profit and loss		-	(81)	(81)
Bad debts		-	(4,726)	-
Intangibles written off on acquisition		-	(2,093,994)	-
Legal and professional fees		(577,820)	(229,560)	(68,814)
Patent costs		(31,427)	(79,876)	(67,307)
Foreign exchange gain		295,888	114,049	265,359
Finance costs		(824,881)	(292,528)	(52,093)
Loss before tax		(6,375,973)	(3,971,280)	(1,089,374)
Income tax		-	-	-
Profit/(Loss) for the period		(6,375,973)	(3,971,280)	(1,089,374)
Other comprehensive income/(loss), net of income tax				
Items that may be reclassified subsequently to profit or loss				
Exchange reserve arising on translation of foreign operations		(253,298)	(161,994)	(277,798)
Other comprehensive gain for the period, net of income tax		(253,298)	(161,994)	(277,798)
Total comprehensive income/(loss) for the period		(6,629,271)	(4,133,274)	(1,367,172)
Profit/(Loss) attributed to:				
Owners of the parent		(6,233,331)	(3,846,966)	(1,071,354)
Non-controlling interests		(142,642)	(124,314)	(18,020)
		(6,375,973)	(3,971,280)	(1,089,374)
Total comprehensive profit/(loss) attributed to:				
Owners of the parent		(6,486,629)	(4,008,960)	(1,349,152)
Non-controlling interests		(142,642)	(124,314)	(18,020)
		(6,629,271)	(4,133,274)	(1,367,172)
Earnings/(loss) per share				
From continuing and discontinued operations:				
Basic (cents per share)	8	(2.5)	(3.0)	(0.9)
Diluted (cents per share)		(2.5)	(3.0)	(0.9)

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated statement of financial position as at 31 December 2016

	Note	Consolidated 31 Dec 2016 $	Restated 30 Jun 2016 $	Restated 30 Jun 2015 $
Current assets				
Cash and cash equivalents		5,354,014	755,861	39,164
Trade and other receivables		2,339,294	1,235,057	703,484
Other financial assets		71	71	152
Total current assets		7,693,379	1,990,989	742,800
Non-current assets				
Trade and other receivables		-	932,334	857,284
Investments accounted for using the equity method	3	9,200	9,200	9,200
Property, plant and equipment		13,718	14,658	88,118
Total non-current assets		22,918	956,192	954,602
Total assets		7,716,297	2,947,181	1,697,402
Current liabilities				
Trade and other payables		839,318	3,607,191	1,128,283
Provision		119,120	110,329	95,940
Total current liabilities		958,438	3,717,520	1,224,223
Non-current liabilities				
Trade and other payables		1,389,366	1,301,265	1,196,880
Provisions		72,645	70,255	56,598
Total non-current liabilities		1,462,011	1,371,520	1,253,478
Total liabilities		2,420,449	5,089,038	2,477,701
Net assets/(liabilities)		5,295,848	(2,141,857)	(780,299)
Equity				
Issued capital	4	100,127,790	91,632,654	89,672,984
Reserves		4,031,632	(1,271,276)	(1,806,448)
Accumulated losses		(90,337,700)	(84,104,369)	(80,257,403)
Total equity attributable to equity holders of the company		13,821,722	6,257,009	7,609,133
Non controlling interest		(8,525,874)	(8,398,866)	(8,389,432)
Total equity		5,295,848	(2,141,857)	(780,299)

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated statement of changes in equity for the half-year ended 31 December 2016

	Consolidated								
	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 2015	89,672,984	(377,199)	5,070,186	(4,113,113)	(450,800)	(74,143,192)	15,658,866	(147,600)	15,511,266
Impact of restatement (note 9)	-	3,891,201	-	(5,826,723)	-	(6,114,211)	(8,049,733)	(8,241,833)	(16,291,566)
Movement in foreign exchange values	-	(277,798)	-	-	-	-	(277,798)	125,645	(152,153)
((Profit/(Loss) for the period	-	-	-	-	-	(1,071,354)	(1,071,354)	(18,020)	(1,089,374)
Total comprehensive loss for the period	-	(277,798)	-	-	-	(1,071,354)	(1,349,152)	107,625	(1,241,527)
New issue	2,010,138	-	-	-	-	-	2,010,138	-	2,010,138
Option reserve	-	-	692,304	-	-	-	692,304	-	692,304
Capital raising costs	(33,789)	-	-	-	-	-	(33,789)	-	(33,789)
Value of options issued	25,996	-	-	-	-	-	25,996	-	25,996
Balance at 31 December 2015	**91,675,329**	**3,236,204**	**5,762,490**	**(9,939,836)**	**(450,800)**	**(81,328,757)**	**8,954,630**	**(8,281,808)**	**672,822**

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated statement of changes in equity
for the half-year ended 31 December 2016 (cont'd)

	Consolidated								
	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 2016	91,632,654	(393,449)	5,767,352	(4,113,113)	(450,800)	(90,761,712)	1,680,932	381,216	2,062,148
Impact of restatement (note 9)	-	3,745,457	-	(5,826,723)	-	6,657,343	4,576,077	(8,780,082)	(4,204,005)
Movement in foreign currency	-	(253,298)	-	-	-	-	(253,298)	15,634	(237,664)
Profit/(Loss) for the period	-	-	-	-	-	(6,233,331)	(6,233,331)	(142,642)	(6,375,973)
Total comprehensive loss for the period	-	(253,298)	-	-	-	(6,233,331)	(6,486,629)	(127,008)	(6,613,637)
New issue	7,315,625	-	-	-	-	-	7,315,625	-	7,315,625
Value of options Issued	-	-	6,199,876	-	-	-	6,199,876	-	6,199,876
Capital raising costs	(719,626)	-	-	-	-	-	(719,626)	-	(719,626)
Value of options exercised	643,670	-	(643,670)	-	-	-	-	-	-
Exercise of options	1,255,467	-	-	-	-	-	1,255,467	-	1,255,467
Balance at 31 December 2016	**100,127,790**	**3,098,710**	**11,323,558**	**(9,939,836)**	**(450,800)**	**(90,337,700)**	**13,821,722**	**(8,525,874)**	**5,295,848**

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated cash flow statement for the half-year ended 31 December 2016

	Consolidated	
	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015
	$	$
Cash flows from operating activities		
Receipts from customers	12,526	193
Interest and finance costs paid	(49)	(19,216)
Payments to suppliers and employees	(2,079,884)	(1,182,738)
Tax refund	-	4,406
Net cash used in operating activities	(2,067,407)	(1,197,355)
Cash flows from investing activities		
Interest received	20,856	6,365
Payment for fixed assets	(1,954)	(1,484)
Payment for new business development	-	(315,060)
Loans to other entity	-	(515,765)
Loans to related party	-	(10,541)
Net cash (used in)/provided in investing activities	18,902	(836,485)
Cash flows from financing activities		
Proceeds from issue of shares and options	7,073,579	2,185,994
Over subscription	5,000	-
Proceeds from borrowings	35,000	-
Adjustment for gain/(loss) of control of subsidiaries	-	69
Capital raising costs	(466,921)	(33,785)
Net cash provided by financing activities	6,646,658	2,152,278
Net decrease in cash and cash equivalents	4,598,153	118,438
Cash and cash equivalents at the beginning of the period	755,861	39,099
Cash and cash equivalents at the end of the period	5,354,014	157,537

Notes to the consolidated financial statements are included on pages 15 to 21.

Notes to consolidated financial statements

1. Summary of significant accounting policies

Basis of Preparation
These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Kalina Power Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue by the board of directors on 27 February 2017.

Accounting Policies
The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.
The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

Critical Accounting Estimates and Judgements

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 judgements are:

- Unlisted share options issued by the company have been valued using Black-Scholes pricing model. Judgement is required to determine inputs to the model such as interest and volatility rates.
- Amount receivable from expenses incurred in relation to the Sinopec Hainan project in China which has been recognised in full as it is expected to be received in the near future as per agreements with Sinopec and SSNE in relation to the completion of the Sinopec Hainan plant.
- Despite holding less than 50% of issued capital of Pacific Dynasty (PD), New Energy Asia Limited (NEA) controls the board of PD and therefore controls the operations and decision making of the company. NEA owns 49.5% of the issued capital of PD but is deemed to control PD in accordance in accordance with AASB 10. The results of PD are therefore consolidated.
- New Energy Asia Limited Option to acquire Newmont Holdings Limited.
  On 19 May 2015 NEA agreed to sell 100% of the issued capital of Newmont Holdings Limited (Newmont). As part of the terms of the agreement, NEA retained a call option giving it the right to repurchase 100% of the issued capital of Newmont for US$1 up until 23 July 2017. The company has given consideration to any potential impact of this option on the deconsolidation of Newmont following the disposal of 100% of the Newmont shares. Although the call option represents a potential voting right in accordance with AASB 10, the Company did not and still do not have any intention or expectation of exercising the option. Since executing the disposal of Newmont, the company has not had any operational or other involvement in Newmont. Having considered all the requirements of AASB 10, the company have concluded that they do not have control or significant influence over Newmont.

Going concern
The operating loss for the 6 month period ended 31 December 2016 was $6,375,973, this included an amount of $3,580,994 on account of non-cash value of options issued to directors and officers (half-year ended 31 December 2015: restated loss $1,089,374). The consolidated entity had net current assets as at 31 December 2016 of $6,734,941 (30 June 2016: restated net current liabilities $1,726,531).

The company has not commenced generating adequate revenue to meets its ongoing commitments. However based on the funds available at 31 December 2016, and subsequent receipt of $379,042 in February 2017 from one of the trade debtors, at the date of this report, the Directors have considered the above factors and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due for at least 12 months from the date of this interim financial report.

In the event that the consolidated entity increases its activity in the near future and does not match the increased activity with additional revenue or funding, 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. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Revenue		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	31 Dec 2016 $	Restated 31 Dec 2015 $	31 Dec 2016 $	Restated 31 Dec 2015 $
Continuing operations				
Investments	-	2,312	(5,704,765)	(1,089,374)
Power business	22,298	-	(671,208)	-
Consolidated segment revenue				
Revenue for the period	22,298	2,312		-
Profit/(loss) for the period	-	-	(6,375,973)	(1,089,374)

The revenue reported above represents the revenue generated from external customers. The total segment revenue includes revenue, other revenue and finance income.

Segment loss represents the loss incurred by each segment with the allocation of interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment

	Consolidated	
	31 Dec 2016 $	Restated 30 Jun 2016 $
Investments	7,178,529	2,591,147
Power business	537,768	356,034
Total segment assets	7,716,297	2,947,181
Unallocated assets	-	-
Total assets	7,716,297	2,947,181

3. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest 31 Dec 2016 %	Ownership interest 31 Dec 2015 %
Associates				
Exergy Inc	USA	Investment	46.0	46.0

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Reconciliation of movement in investment accounted for using the equity method:		
Balance at start of period	9,200	9,200
Share of loss of associate	-	-
Balance at end of period	9,200	9,200

Dividends received from associates

No dividends were received during the half year (31 December 2015: Nil) from the associates.

4. Contributed equity

Ordinary Shares	31 Dec 2016	30 June 2016
	No .Shares	*No. Shares*
Fully paid		
Movement during the half year		
Opening Balance	133,335,253	109,893,416
Movements during the period	209,567,688	23,441,837
	342,902,941	133,335,253

During the half year the company issued 184,458,348 ordinary shares at 5 cents and 119,529,212 options exercisable at 5 cents. The company also issued 700,000 employee options exercisable at 5 cents and a further 42,900,000 options exercisable at 5.5 cents. During the half year 25,109,340 options were exercised at 5 cents, and 21,928,767 options exercisable at 10 cents expired during the period.

The following Options were on issue at 31 December 2016:

Tranche	Number	Exercise Price	Expiry Date
Tranche 1 (granted on 23 July 2015)	21,600,000	11 cents	30 June 2018
Tranche 2 (granted on 11 May 2016)	140,000	7.5 cents	15 June 2017
Tranche 3 (granted on 5 August 2016)	7,500,000	5 cents	30 August 2017
Tranche 4 (granted on 12 September 2016)	50,505,867	5 cents	30 August 2017
Tranche 5 (granted on 15 September 2016)	14,320,000	5 cents	30 August 2017
Tranche 6 (granted on 2 December 2016)	3,500,000	5 cents	30 August 2017
Tranche 7 (granted on 19 December 2016)	1,794,005	5 cents	30 August 2017
Tranche 8 (granted on 19 December 2016)	17,500,000	5 cents	28 April 2017
Tranche 9 (granted on 19 December 2016)	42,900,000	5.5 cents	30 November 2019

5. Fair value measurements

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

5.1 <u>Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by the market transactions for the identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing assets or liability are considered observable, whereas inputs for which marker data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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

Recurring and Non-recurring Fair value Measurement Amounts and the Level of Fair Value Hierarchy within the Fair Value Measurement Are Categorised as follows:

Financial assets/financial liabilities	Fair value as at 31 Dec 2016	30 June 2016	Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Other financial assets	Listed equity securities in Canada - $71	Listed equity securities in Canada - $71	Level 1	Quoted bid prices in an active market.	N/A	N/A

6. Dividends

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

7. Contingent liability

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB 5,500,000 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 in the near term from the payments anticipated to be made by Sinopec. On completion of the payment plan with Sinopec which will also address repayment of the Bank of East Asia loan, the Company will advise Bank of East Asia of the anticipated repayment schedule. 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.

There are no other known contingencies as at 31 December 2016.

8. Earnings per share

	Consolidated	
	31 Dec 2016 Cents per share	Restated 31 Dec 2015 Cents per share
Basic earnings (loss) per share	(2.5)	(0.9)
Diluted earnings (loss) per share	(2.5)	(0.9)

Basic earnings per share

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

	2016 $	Restated 2015 $
Net profit/(Loss) (i)	(6,233,331)	(1,071,354)

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

	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	244,990,558	121,652,411

9. Correction of prior period errors

On 10 December 2014, the Company sold 7,500,000 shares it owned in New Energy Technologies Limited (NEA) thereby reducing its ownership to 49.27% of the issued capital of NEA. Concurrent with this sale, NEA amended its constitution to require a quorum of four directors for its meetings. The Company had two representatives on the board of NEA out of a total four. As a result of these changes, the Company considered the requirements of AASB 10 with regard to control of subsidiaries and determined that it no longer controlled NEA effective 10 December 2014. Accordingly NEA was originally not treated as a subsidiary in the 31 December 2014 half year accounts and the 30 June 2015 full year accounts.

Subsequent to the sale of 7,500,000 shares on 10 December 2014, the Company appointed new management who reviewed the business model of the Company and provided new objectives for the Company moving forward, and in particular the decision to better control the Kalina Cycle Technology through increased ownership in its existing subsidiaries or associates. As a result of this updated business model, the Company, along with the third party lenders to NEA, negotiated a debt to equity conversion in NEA and a plan to reorganise the group structure. These steps were documented in a term sheet executed on 19 May 2015, with the conditions to the debt to equity conversion being completed on 31 July 2015.

As a result of the debt to equity conversion, the Company acquired a further 26.35% of the shares in NEA, taking its total holding to 75.62%. The Company originally considered this increase in shareholding to represent a regaining of control in NEA which at the time was originally deemed effective from the completion date of 31 July 2015. The results of NEA were therefore reconsolidated into the results of the Company from that date.

Having reassessed the transactions, whilst noting that the initial sale transaction by itself would lead to a deconsolidation, the Directors of the Company have formed a view that the initial sale transaction and subsequent reorganisation should be viewed as a whole. In the context of the restructure. The conversion of debt to equity on 31 July 2015 should have been viewed as an adjusting event after balance date, the effect of which is to nullify the deconsolidation of 10 December 2014.

In accordance with AASB 108, the Company has corrected this error by restating the comparative financial information, and has included disclosure of the original and restated financial information for the year ended 30 June 2015.

The major changes to the financial statements to 30 June 2015 and 30 June 2016 are as follows:

Effects on consolidated statement of profit and loss

		30-Jun-16
		$
Original profit/(loss)		(16,851,894)
Other revenue		(1,302)
Finance Income		(53,741)
Amortisation of intangible	(i)	424,257
Gain on revaluation of associate	(ii)	(2,280,340)
Intangibles written off	(iii)	1,196,941
Loss on conversion of debt to equity	(iv)	13,594,560
Administration expenses		239
Restated profit/(loss)		**(3,971,280)**

(i) Reversal of amortisation of intangible asset due to the asset no longer being recognised under the corrected accounting treatment.

(ii) Reversal of gain on revaluation of existing holding in NEA recognised when holding in NEA increased from 49.27% to 75.62% as the carrying value of the original holding was nil.

(iii) Reversal of intangible assets written off following the increase in NEA shareholding from 49.27% to 75.62%.

(iv) Originally differences arising between the carrying value of debt in NEA and the value of net assets received on conversion of debt to equity were accounted for on 31 July 2015. As part of the restatement, this transaction has been deemed to have been effective on 19 May 2015 and as such the loss has been recognised in the 30 June 2015 financial year, forming part of the impairment of investment.

		31-Dec-15
		$
Original profit/(loss)		(13,618,314)
Gain on revaluation of associate	(i)	(1,488,740)
Loss on conversion of debt to equity	(ii)	14,017,910
Administration expenses		(230)
Revised profit/(loss)		**(1,089,374)**

(i) Reversal of gain on revaluation of existing holding in NEA when holding in NEA increased from 49.27% to 75.62% as the carrying value of original holding was nil.
(ii) Reversal of intangible assets previously written off following the increase in NEA shareholding from 49.27% to 75.62%.

		30-Jun-15
		$
Original profit/(loss		9,656,219
Interest income other	(i)	(974,963)
Equity loss recognised	(ii)	9,457,588
Impairment of investment	(iii)	(29,307,215)
Bad debts	(iv)	(2,303,093)
Travel expenses	(v)	(104,902)
Gain from loss of control of subsidiary	(vi)	(9,718,792)
Legal and professional fees	(vii)	(1,193,439)
Finance costs	(viii)	(1,424,930)
Exchange variation	(ix)	2,353,425
Administration expenses		(141)
Restated profit/(loss)		**(23,560,243)**

(i) The original interest income related to interest receivable from NEA to June 2015. This interest income is now eliminated on consolidation as NEA is now a controlled entity.
(ii) Reversal of equity accounted loss in respect of the results of NEA when it was treated as an associate.
(iii) The restated amount relates to the impairment of investments held by NEA after the deconsolidation of Newmont Holdings Ltd from the Group on 19 May 2015.
(iv) The restated amount relates to receivables written off by NEA as part of the deconsolidation of Newmont Holdings Ltd from the Group on 19 May 2015.
(v) Additional expenses recognised for NEA as the entity has now been a subsidiary for the entire reporting period.
(vi) Gain from loss of control of Newmont Holdings Limited being a subsidiary of NEA that was sold as part of the agreement on 19 May 2015 and reversal of gain incorrectly recognised on deconsolidation of NEA in the original figures.
(vii) Additional interest expenses recognised for NEA as NEA has now been consolidated for the entire reporting period.
(viii) Additional expenses recognised for NEA as NEA has now been consolidated for the entire reporting period.
(ix) Additional exchange gain resulting from the nominal value of investment in NEA received from the conversion of debt to equity in NEA.

Effect on earnings per share

	30 June 2016	30 June 2016	30 June 2015	30 June 2015
	Restated	Original	Restated	Original
Earnings/(loss) per shares				
Basic (cents per share)	(3.0)	(13.0)	6.5	15.7
Diluted (cents per share)	(3.0)	(13.0)	4.7	11.4

Effects on earning per share

	31 Dec 2015 Restated	31 Dec 2015 Original
Earnings/(loss) per shares		
Basic (cents per share)	(0.9)	(11.2)
Diluted (cents per share)	(0.9)	(11.2)

Effects on Consolidated statement of financial position

		30 June 2016 Restated	30 June 2016 Original		30 June 2015 Restated	30 June 2015 Original
Assets						
Current assets		1,990,989	1,990,989		742,800	404,067
Non-current assets	(i)	956,192	5,160,200	(ii)	954,602	16,176,977
Total assets		2,947,181	7,151,189		1,697,402	16,581,044
Liabilities						
Current liabilities		3,717,520	3,717,523		1,224,223	1,013,180
Non-current liabilities		1,371,518	1,371,518		1,253,478	56,598
Total liabilities		5,089,038	5,089,041		2,477,701	1,069,778
Net assets/(liabilities)		(2,141,857)	2,062,148		(780,299)	15,511,266
Equity						
Issued capital		91,632,654	91,632,654		89,672,984	89,672,984
Reserves		(1,271,276)	809,990		(1,806,448)	129,074
Accumulated losses		(84,104,369)	(90,761,712)		(80,257,403)	(74,143,192)
Total equity attributable to equity holders of the company		6,257,009	1,680,932		7,609,133	15,658,866
Non-controlling interest		(8,398,866)	381,216		(8,389,432)	(147,600)
		(2,141,857)	2,062,148		(780,299)	15,511,266

(i) The original amount included $4,204,008 on account of Kalina license revalued when NEA was reconsolidated based on original accounting treatment.

(ii) The original amount included $15,222,375 being a receivable from NEA based on original accounting treatment. However, this is now based on corrected accounting treatment eliminated when NEA is consolidated as reflected in the restated balance.

10. Subsequent events

No events or matters have arisen which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.