

REVIEW OF OPERATIONS AND UPDATE

KALiNA Power Limited (ASX:KPO, “KALiNA” or the “Company”) provides the following review and operational update to shareholders on the activities of the Company for the period ended 31 December 2017.

During the six months the Company continued to recruit a strong international team of industry professionals, raised \$4.1m, and made commercial progress toward its stated goal of over 100 MWe of installed KALiNA Cycle operating capacity by 2020. The target of 100 MWe of installed Kalina Cycle capacity is a key milestone to firmly establish the Kalina Cycle as an industry standard in the international waste heat to power sector and to provide the Company with strong cash flow and a healthy balance sheet.

Business Development

The Company’s business development activity is focused primarily on North America and Asia where the significant performance advantages of the KALiNA Cycle, coupled with a large growth in renewable markets have led to a growing pipeline of business opportunities.

North America

KALiNA’s Canadian based team of power industry executives have extensive expertise in qualifying and contracting successful power projects. The team has identified a regional market opportunity to utilize the significant performance advantages of the KALiNA Cycle in order to enhance the performance and profitability of gas fired power plants. Initial engineering feasibility and market analysis indicates that there is an addressable market for the Company of over 500 MWe of gas fired production that would require up to 165 MWe of KALiNA Cycle capacity. Additional acquisition opportunities also exist within this market for the KALiNA Cycle to be utilized to leverage the value of existing gas fired power plants. The team is targeting an initial 120MWe of near term commercial opportunities in the region that would utilise 40MWe of KALiNA Cycle capability to leverage and enhance the economic returns of each project. The team is conducting engineering feasibility studies on various projects as well as discussions with key vendors and project execution partners. The ongoing project development activities include completion of economic feasibility studies, interconnection studies, site control and major permit applications.

It is intended that these projects would be financed through a limited partnership vehicle to finance projects without the need to raise capital at the KALiNA parent level. This type of project finance structure would allow KALiNA to develop and own projects with a meaningful carried interest and investment rights.

With the support of identified project finance investors, the Company recently made a comprehensive indicative offer for over 65MWe of power plants. The Company tabled a fair bid which was however less than the accepted bid. With ongoing support from project finance

investors the Company intends to make further offers to acquire appropriately valued power assets which can be leveraged through the use of the Kalina Cycle.

During the period KALiNA also announced plans to develop geothermal power plants in Oregon, USA, with Klamath Hills Geothermal LLC, a geothermal power company involved in the development of geothermal assets in the Klamath region over the past decade. The initial project being developed is a 10 MWe geothermal power plant on which Klamath has spent over US\$2 million developing. Successful development of the first Klamath project is intended to lead to the development of further projects in the region pursuant to the exclusive development agreement signed with Klamath. The agreement provides that KALiNA's team will manage project development through to the financing stage and construction of each project. The management of the project development will include specialist engineering services, the finalisation of appropriate Power Purchasing Agreements and obtaining appropriate project financing.

With KALiNA developing and controlling projects as described above, the Company will be in a strong position to accelerate and control project execution timelines. For each project KALiNA anticipates having a significant carried interest and investment rights as well as generating ongoing royalties and specialised engineering revenues of over \$500,000 per installed megawatt.

Japan

Several preliminary engineering studies are being completed for projects in Japan. These include engagement with Chiyoda Engineering who have successfully built several KALiNA Cycle plants in Japan.

China

In July 2017 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 China Light and Power ("CLP Group"), one of the largest power companies in the Asia-Pacific region. Peter was the Group Director of Operations at CLP Group.

In addition to the appointment of Peter Littlewood to the board of KALiNA, the Company recruited 3 senior management executives who had worked together at Meiya Power (renamed CGN New Energy Holdings Co), a leading foreign independent power producer ("IPP") in China and North Asia. They are led by Meiya Power's former Chief Operating Officer, Nigel Chea, who has been appointed as KALiNA's President for Greater China.

The Company's senior management team for China continued to make progress in several important areas. Completion of the construction and start-up of the KALiNA Cycle plant at Sinopec Hainan occurred during November 2017. Engagement with Sinopec Engineering on the optimization phase of the plant is underway and meetings have been held with them in Beijing over the past three months. These discussions are focused upon improvements to the Sinopec Hainan plant as well as on fostering the broader commercial engagement between KALiNA and Sinopec Engineering.

The Sinopec physical plants throughout China and internationally represent an opportunity to utilize hundreds of KALiNA Cycle waste heat recovery plants. The discussions with Sinopec in particular and with other major industrial companies in China is broadening the scope and scale of opportunities being pursued.

Deployment of the KALiNA Cycle in China on a large scale will support achieving of the objectives set out in the 19th National Congress for emission reductions and power efficiency. This coupled with the “belt and road initiative” represents major opportunities with industrial growth in specified countries or regions in accordance with PRC’s state policy direction.

Summary

The overall pipeline of activity continues to increase and the initiatives being pursued in the key markets of North America and China are expected to facilitate an accelerated rate of deployment and project execution.

With the Company’s current capacity of the KALiNA Cycle at 29 MWe, Management is confident the Company can achieve its previously stated goal of 100 MWe of installed capacity by 2020.

Corporate

Of the \$4.1m funds raised in the period, \$3,877,134 (before costs) was received from the exercise of options and \$275,000 from the issue of shares.

The total loss of the consolidated entity attributable to the owners of the parent for the half year ended 31 December 2017 was \$2,914,379 (2016: net loss \$6,233,331). This equates to a basic loss per share of 0.7 cents (2016: basic loss per share of 2.5 cents).

The cash position at 31 December, 2017 was \$5.5m. The Company is managing its cash resources appropriately and expenditures and modest revenues during the period were in line with its budget. At current rates of expenditure, as at end of February 2017, the Company has sufficient funds to finance its operations for over one year even in the absence of any of its anticipated contracted and forecasted revenues.

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