

QUARTERLY ACTIVITIES REPORT TO 30 JUNE 2018

KALiNA Power Limited (ASX:KPO, “KALiNA” or the “Company”) provides the following operational update to shareholders on the quarterly activities of the Company.

1. North America

During the quarter the Company made considerable progress with its North American project development initiatives announced on 27 Feb 2018 and updated in the March quarterly. As previously announced, KALiNA’s North American business development team, largely comprised of former Pristine Power executives in Canada has developed a strategy for the deployment of a modularized Combined Cycle Power Plant using KALiNA Cycle technology as the bottoming Cycle (‘KALiNA CCGT’).

The team has identified a regional market opportunity to utilize the significant performance advantages of the KALiNA Cycle to enhance the performance and profitability of gas fired power plants. KALiNA’s feasibility and market analysis indicates 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 power plants.

The team is targeting an initial 140MWe of near term commercial opportunities in the region that would utilise approximately 42MWe of KALiNA Cycle capability to leverage and enhance the economic returns of each project. KALiNA is now completing a thorough feasibility analysis and development plan on these opportunities and is awaiting final third party reports on certain key items. Details of the development plan to date have been shared with execution partners and initial discussions held. Further details are expected to be announced shortly.

Klamath Hills, Oregon USA

The Klamath Hills Project has progressed to a point where a “standard,” Qualified Facility (“QF”) Power Purchase Agreement is required. The previous ‘standard’ PPA pricing by the utility has been reduced significantly under the terms of the new, current PPA pricing regime and will not support further development of the Klamath Project as is.

Klamath and its legal team are in discussions with the local utility in an attempt to either grandfather the original higher pricing or provide alternative concessions. Research conducted by Klamath and its legal team have discovered instances of similar concessions provided to other projects following complaints by such other project owners.

Klamath Hills is considering its various options with the utility and the utility’s state governing body which may include the issue of a similar complaint or taking legal action.

2. Asia

KALiNA has continued its discussions with Sinopec and SSNE (KALiNA's long standing licensee in China) with regard to Hainan and the ongoing business in China. Delays at the Hainan plant in China have contributed to delays in receiving payments that are due from SSNE to KALiNA for previous work. Details of all payments due to KALiNA were submitted to SSNE during the quarter for inclusion in the invoice to Sinopec, and as required under State Owned Enterprise laws in China, are currently being reviewed by specialist engineering firms in accordance with the EPC agreement between SSNE and Sinopec. We have most recently been advised by SSNE representatives to anticipate payment of these sums in the coming months.

Contrary to our view, SSNE has continued to insist that the market in China cannot be properly developed without the Sinopec project at Hainan being successfully completed. We believe we can no longer delay pursuing these opportunities given the scale of China's interest in clean technologies. KALiNA has begun to implement steps that will enable its senior Hong Kong based team to fully execute its comprehensive business plan for China and to properly run operations in China without limitation.

Key to this new business plan is the intention to raise third party capital at a subsidiary level, principally from Asian investors and specifically for operations in China. This will not only lessen the ongoing funding requirement for KALiNA, but also access meaningful capital in a region that is familiar with the opportunities for technologies such as the KALiNA Cycle Technology and is adopting such technologies at a prolific pace.

We have provided SSNE with a reasonable deadline in which they must pay us for certain outstanding amounts and provide evidence that they are financially solvent. If they are not able to do so they will lose their licensing rights and KALiNA will continue its plans to obtain finance for a new and appropriate corporate structure in China. KALiNA has indicated its willingness to permit SSNE shareholders a minor yet meaningful interest in a new structure for China that would be led by senior members of our Hong Kong based team.

KALiNA has previously identified to Sinopec the key areas to complete the Hainan project successfully and has indicated its willingness to assist with the next phase of the required work at the site at Hainan in an effort to eventually resolve outstanding issues and professionally guide them to understand how best to deploy the KALiNA Cycle Technology in future projects.

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