

QUARTERLY ACTIVITIES REPORT AND UPDATE ON SINOPEC HAINAN PLANT

- **Appointment of Peter Littlewood** to the KALiNA Power Board
- **Progress** in completing the Sinopec Hainan Plant
- **Continued increase in global project business development** activities
- Raised **A\$4,077,134 in cash proceeds** from listed option exercise and management placement
- **Healthy cash position of A\$6.6 million** held as at 30 September 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 September 2017.

During the quarter 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 Peter was the Group Director of Operations at CLP Group 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.

During the quarter progress was made at the Sinopec Hainan power plant. This plant was the first project designed, engineered and constructed by SSNE, our China licensee, but without any input from KALiNA in regards to the design or major equipment selection. After stepping in to manage completion of the project on behalf of SSNE, KALiNA and its Chinese subsidiary A&W has, over the past year, supported Sinopec in the completion of the project. The plant reached mechanical completion in late August 2017 and at that time was handed over to Sinopec Hainan for commissioning under their direction. Commissioning has been underway with the continued support of KALiNA’s engineering team and A&W. The commissioning of the plant has been extensive. In particular the synchronization and alignment of the more complex major pieces of equipment is an ongoing process which will need to be addressed before a full start up is commenced to produce electricity on a regular basis. KALiNA has been providing assistance as we look to identify repairs and any remediation tasks necessary to properly complete the project. The Company shall provide further specific updates on plant progress.

The Company has continued to dedicate its resources into strategic markets where government initiatives encourage the deployment of the KALiNA Cycle and where multiple opportunities and commercial demand drivers are in place. The Company’s new executive teams continue to focus primarily on opportunities in the North American and Chinese markets and have overseen considerable increases in the Company’s business activity and enquiries.

The Company raised a total of \$4.1m during the quarter. This was comprised of \$3.9m through the exercise of listed options which had a shareholder take-up of over 95% and was underwritten by Azure Capital. A\$0.2m was raised through the purchase of shares by the new China management team at \$0.05.

As at 30 September 2017, the Company held A\$6.6 million in cash. KALiNA believes that it is well funded under its current business plan to achieve positive cash flow operations.

For further information, please contact:

Tim Horgan
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 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	55	55
1.2 Payments for		
(a) Projects and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(832)	(832)
(f) administration and corporate costs	(610)	(610)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other –	-	-
1.9 Net cash from / (used in) operating activities	(1,366)	(1,366)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(105)	(105)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(105)	(105)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	200	200
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	3,697	3,697
3.4 Transaction costs related to issues of shares, convertible notes or options	(213)	(213)
3.5 Proceeds from borrowings	95	95
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	3,779	3,779

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,343	4,343
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,366)	(1,366)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(105)	(105)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,779	3,779

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	6,651	6,651

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	483	986
5.2	Call deposits	6,168	3,357
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,651	4,343

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

**Current quarter
\$A'000**

190

-

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

**Current quarter
\$A'000**

-

105

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

8. Financing facilities available <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.		


8.1 – Loan Facility provided to Aqua Guardian Group, a subsidiary of the Company.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Projects and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	840
9.6 Administration and corporate costs	600
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,440

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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 October 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.