KALINA POWER LIMITED
AND ITS CONTROLLED ENTITIES

ACN 000 090 997
Annual financial report for the year ended 30 June 2017

Chairman's Letter

Dear Shareholders

The past year represented a major positive shift as our Company began to implement its new strategic initiatives with a well funded business plan. I am pleased to report that the successful implementation of many of the key elements of this plan have put us in a strong position to execute and realise the many project opportunities in front of us for the coming year.

The success of any business is reliant on the calibre of the people involved. In 2015, our board was successful in recruiting Ross MacLachlan to complete a reorganizations and development of a new business plan. Upon the completion of the financing of the new business plan last year, Mr MacLachlan assumed the role of Managing Director and CEO. Building on the core technical competencies of our world class engineering team, he began recruiting key technical and commercial professionals to fill important roles in the Company. This involved the recruitment of two highly regarded and seasoned power executives to join the KALiNA board of directors, Mr Jeffry Myers and Mr Peter Littlewood.

The KALiNA team is now comprised of industry leaders and proven power professionals with experience from companies such as Pristine Power, Meiya Power, and China Light and Power, all of whom compliment the engineering professionals working for us in North America and in China.

Having a well funded business plan together with the right people in place to execute has already begun to show strong results. During the past year we have seen a significant increase in the project pipeline. In addition, we have enforced compliance with existing licensees that generated cash and further new business opportunities.

One of our key strategic decisions has been to focus on markets where multiple project opportunities exist along with market drivers such as government policy or incentivized power price dynamics. This includes China where the relationship with Sinopec has been strengthened by our recent new appointments, including Mr Nigel Chea as KALiNA's President for Greater China. The Sinopec Hainan Plant is nearly complete and expected to produce power very shortly.

North America is another key market where industries face growing concerns over their environmental impact and look to energy efficient solutions such through using the KALiNA Cycle to reduce their carbon footprint. With the appointment during the period of Jim Fitzowich to lead our operations in North America, we are now actively engaged in a number of promising projects in Canada and the US.

The opportunities for the KALiNA Cycle to meet the rising global demand for clean energy generation are enormous. The Company's key target and intermediate goal is to achieve 100MW of installed capacity for the KALiNA Cycle as quickly as possible. Achieving this goal will position the KALiNA Cycle as a standard clean energy solution to the power industry providing engineering firms and customers additional confidence for repeat business with lower costs and increased performance and reliability. With 30MW currently installed we are confident we will achieve this goal in the near to medium term.

The success with the Company's new business plan and recruitment of key professionals has been well received and the Company believes it is well funded to execute its deployment strategy and achieve positive cash flow. We completed an $8.5 million financing in September 2016 which included $5.1 million worth of options with an expiry on 30 August 2017.   An underwriting agreement to cover 100% of any unexercised options has been entered into with Azure Capital Limited.

During the past financial year KALiNA incurred a number of one off, non-cash charges that totalled $6.6 million and formed the majority of the $10.7 million loss for the period. This included the non-cash accounting treatment of costs associated with the issue of incentive options during the period and a conservative provision for doubtful long term receivables.

KALiNA Power is well funded, well managed, and on track to deliver on its goals to see the KALiNA Cycle become established as an industry standard technology and realise its full potential in this multi-billion dollar market segment.

The Board and team at KALiNA thank you for your support and we look forward to reporting to you on our expected progress over the coming year.

Yours Faithfully

John Byrne

Chairman

Directors' report

The directors of Kalina Power Limited ('the Company') present their annual financial report of the Company and its controlled entities ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2017.

Review of Operations

The total loss of the consolidated entity attributable to the owners of the parent for the year ended 30 June 2017 was $10,688,207 (2016-restated: $3,846,966). This equates to a basic loss per share of 3.6 cents for the year ended 30 June 2017 (2016 restated: 3.0 cents). Of this loss of $10.7m, $6.6m related to various non-cash items which are detailed in the notes to the financial statements.

During the financial year, the Company completed its fundraising in September of $8.48m before costs. In December 2016 and in May 2017 the Company received a further total of $2.10m from the exercise of options. Subsequent to the year end, the Company entered into an underwriting agreement with Azure Capital Limited for the options that expire on 30 August 2017. As a result of the exercise of the options and this underwriting, the Company expects to receive a further $3.88m in September 2017. Consequently the Company's working capital, being current assets less current liabilities, has improved from negative $1.73m in 2016 to positive $3.31m as at 30 June 2017. With the expected funds from the option exercise and underwriting the Company's working capital is expected to improve by a further $3.88m in mid-September 2017.

The leadership of the Company was strengthened in September 2016 with the appointment of Jeffry Myers as a non-executive director. Mr, Myers is currently a senior operating partner at Stonepeak Infrastructure Partners and was formerly the Chairman and CEO of Pristine Power. Shortly after the year end, Mr Peter Littlewood (former Group Director of Operations at China Light and Power) was also appointed to the board in July 2017 as a non-executive director. Both gentlemen bring an extraordinary breadth of experience and knowledge in the power sector and will be actively involved in the strategic planning for deployment of the KALiNA Cycle world-wide.

The Company's senior management team was also enhanced with several key appointments. Former Pristine Power executive, Geoff Scott was appointed in October 2016 to provide techno-economic feasibility analysis on project opportunities. Former Pristine Power and Veresen executive, Jim Fitzowich was appointed in April 2017 to focus on North American operations. Additionally, a seasoned team of power industry professionals led by Mr Nigel Chea (former COO of Meiya Power) along with two other Meiya Power executives were appointed to provide leadership for the Company's operations in China.

As part of the Group's ongoing review of strategic priorities, the Company decided early in the past financial year to focus its resources and primary efforts in those markets with opportunities for multiple projects and supportive policies for the deployment of renewable energy. During the year, the Company continued its development into a number of markets where government strategic initiatives and commercial demand drivers are in place.

China continues to represent the largest single market opportunity for KALiNA Power. The Chinese government has mandated a 16% reduction in energy consumption requiring large industrial enterprises to seek to achieve energy efficiencies within their operations. This mandate is driving large companies such as Sinopec to invest capital into projects using technologies such as the KALiNA Cycle® to achieve these targets. KALiNA Power has been working closely with our Chinese partners in developing an agreement with Sinopec which would involve opportunities for multiple projects throughout Sinopec organization. Other similar opportunities for contracts representing multiple projects in China have been identified and preliminary discussions have been initiated.

Opportunities have been identified in Canada, where that government's recently announced policies are supportive with a range of grants and other funding available. Sectors such as the oil sands and gas pipeline compressor stations have been identified as addressable market opportunities. Oil sand operators are seeking ways to reduce their emissions and energy consumption which are two key concerns within the industry. The KALiNA Cycle® has applicability within the oil sands recovery process to generate electricity and reduce the carbon footprint of the oil produced. The Company's recent appointments in Canada are actively engaged and prioritising various opportunities in key markets in Canada.

A significant factor in being able to gain access to markets is that the KALiNA Cycle® has been deployed at 15 plants around the world. These plants have provided a wealth of experience in diverse applications such as petrochemical and steel facilities as well as geothermal power plants. The Company has a foundation of knowledge that is required to develop and execute successful projects. Over the past decade, projects such as at Sumitomo Metals and Fuji Oil Refinery in Japan and the Unterhaching geothermal power plant in Germany have proven the reliability of the technology. With this experience, the Company shall now ensure that it is properly contracted in an actively engaged role in the execution of KALiNA Cycle® projects across the project cycle of engineering, design, procurement and construction.

KALiNA will provide the best of plant design, project execution and achieve ongoing reliability for KALiNA Cycle® power plants, consistent with industry best practices. To achieve these high levels of delivery and reliability, the Company is working closely with leading industry firms and equipment vendors that have a record of successful projects within our core markets of geothermal and industrial heat projects.

In line with the plan to deliver projects with select technical partners, the Company entered into a teaming agreement early in the financial year with Power Engineers Inc, a global consulting engineering firm with over 1,000 employees, specializing in the delivery of integrated engineering solutions. Power Engineers was ranked 7th in the Power sector in the Engineering News-Record (ENR) magazine's Top 500 Design Firms list. Power Engineers has extensive experience with the KALiNA Cycle® and was involved in the engineering phase of the first KALiNA Cycle® geothermal plant in Iceland as well as providing engineering and design services on several other KALiNA Cycle® projects. The Agreement provides for the Company to engage Power Engineers as its lead, third party consultants to provide process engineering and design reviews to ensure the Company is meeting its high standards of project delivery.

Directors' report (continued)

In June 2016 the Company signed a Memorandum of Understanding (MOU) with Cryostar SAS ('Cryostar') to develop an international joint marketing of the KALiNA Cycle utilising Cryostar's advanced turbo-expander turbine designs.

Cryostar is a leader in the production and manufacture of turbines ('turbo-expanders') and supplied the turbo-expander used at the KALiNA Cycle plant in Unterhaching Germany. The turbo-expander is a key component of all power projects. The Company intends to work with Cryostar in relation to quotation on the turbo-expanders on a number of projects.

Intellectual Property (IP)

The Company has expanded its growing IP portfolio with the recent approval during the period for its patent, titled Systems and Methods for Increasing the Efficiency of a KALiNA Cycle®, granted in the EU, Canada, the U.S., Japan, Philippines, and China. It is expected to be granted in Indonesia and Malaysia shortly. Each of these territories in which the patent has been granted, or is expected, represent large markets for the KALiNA Cycle® in both energy efficiency and geothermal applications.

The Company also acquired a significant IP portfolio from Siemens Aktiengesellschaft, Berlin and Munich (Siemens). This portfolio primarily includes thermodynamic process patents including 128 active patents and 12 pending applications (Siemens IP), many of which are complementary to the KALiNA Cycle®. The acquisition bolsters KALiNA's dominant IP portfolio, proprietary know-how and process knowledge in the field of geothermal and waste heat recovery power plants.

The KALiNA Cycle® is a novel, efficient power cycle based on the use of a mixed working fluid. KALiNA's IP portfolio consists of proprietary, demonstrated power cycles developed for specific power plant applications. The Siemens IP portfolio includes patents developed, in part, to be utilised to complement the KALiNA Cycle in specific applications and auxiliary power plant systems. The Siemens IP portfolio also includes new possible mixed working fluids for advance power plant designs.

Portions of the Siemens IP portfolio were successfully deployed by Siemens at the 3.4 MW KALiNA Cycle® geothermal power station in Unterhaching, Germany and the 0.55 MW KALiNA Cycle® geothermal power station in Bruchsal, Germany.

The Company currently has over 240 granted patents representing 17 different patent families. The Company is constantly seeking to add to its intellectual property portfolio with new inventions and documentation of its tremendous body of proprietary know-how and process knowledge.

The Company is continuing with an overall review of its IP strategy, assessing maintenance of existing patents and technical know-how and trade secrets are being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the Company's claims in the sector.

New Energy Asia Limited (NEA)

As part of an ongoing restructuring in China that began in 2015, a new Chinese entity, A&W (Shanghai) New Technology Development Co. Limited (A&W) has been formed to deploy the KALiNA Cycle® in China.

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. This represented a significant milestone that provided the Company's direct engagement through A&W with Sinopec, which had previously been conducted through third parties.

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. KALiNA was advised during the last quarter of the financial year 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.

Mechanical Completion has now been achieved at the plant.

A formal meeting was held with representatives of Sinopec, the construction sub-contractor, and A&W (Shanghai) New Energy (as project manager representing the EPC contracting party, SSNE). In this meeting, the transfer of custody and ownership of the plant from SSNE to Sinopec as owner, was formalised. This is a key internal procedure for Sinopec as they take on responsibility for the commissioning and startup of the plant pursuant to the EPC agreement.

KALiNA has recently met in Hainan with the Sinopec team to develop a schedule for commissioning, training and startup of the plant. Plans are currently underway to commence commissioning in September 2017. KALiNA will provide assistance with the commissioning and the training of Sinopec's operating team.

During the year ended 30 June 2016, the Company had accounted for the re-acquisition of control of 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 amend its accounting treatment for the transactions. Pursuant to AASB 108, the Company restated the comparative financial information for these transactions. The Company has included disclosure of the original and restated comparative information in these financial statements. The full details of this restatement are set out in Note 31, on pages 52 to 54.

Recurrent Engineering (RE)

RE is a 100% owned subsidiary that provides specialist engineering services to projects around the world. The team at RE is well established and further key hires have been made as set out above that supports the existing team of highly experienced engineers.

Directors' report (continued)

Licensees

During the year the Company completed a series of lengthy and important negotiations with several existing and previous licensees that resulted in formative commercial advancements for the Company. KALiNA undertook a comprehensive assessment of the 3 plants under construction in Germany, Pakistan, and China, and coordinated negotiations to enforce the terms under which these projects will be engineered with KALiNA's required involvement, and clarified how payments will be made to the Company. As a result, A$800,000 in cash receipts have been received and the framework has been established for payment for ongoing work and engineering fees.

Corporate

Loss for the year attributed to owners of the parent was $10,688,207.

Directors' report (cont'd)

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are:

Name, qualifications	**Particulars**
Mr. John Byrne	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Appointed 8 May 2009.
Mr Ross MacLachlan	Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 30 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. A strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization. Mr. MacLachlan has been a frequent speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada. He is a member of the BC Cleantech CEO Alliance and has served on the boards of both: • BC Technology Industry Association • BiotechCanada Appointed 26 June 2015
Mr Timothy Horgan	Mr Horgan is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia. Mr Horgan practiced law with Minter Ellison in Australia before moving to London where he acted as Counsel for S & P 100 Company, The Gillette Company. He sat on Gillette's Africa, Middle East and Europe Operational Committee overseeing annual sales in excess of USD 1.2 Billion. Tim also has extensive licensing experience having overseen the USD 1.2 Billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights. Tim has acted as founder, director and advisor to numerous Mining and Energy Companies. His recent experience includes listing South African Coal Company Universal Coal Plc on the ASX and Hungarian Energy Company Wildhorse Energy PLC on AIM. Tim has extensive experience in China including with Gillette, South China Resources Plc and more recently in advising Kalahari Minerals on its USD 1 billion takeover by China Guangdong Nuclear Power Corp (CGNPC). Appointed 27 May 2015
Dr. Malcolm Jacques *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well-known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Appointed 2 March 2010

Directors' report (cont'd)

Mr Jeff Myers

Mr. Myers is one of North America's leading power generation sector professionals, with over 30 years of experience in the downstream energy sector. He has led the development, financing, execution and operation of over 3GWe of independent power projects. Mr. Myers continues to be involved in the development of independent power projects through his position on the Boards of a number of private, clean technology companies and as a senior operating partner at Stonepeak Infrastructure Partners (a US$7bn infrastructure fund).

Mr. Myers was a co-founder, Chairman, President and Chief Executive Officer of Pristine Power (a developer, builder, and operator of independent power plants that produced and sold electricity for industrial users in Canada). Mr. Myers oversaw Pristine Power's foundation in 2002, public listing in 2008, and successful sale to Veresen (TSE: VSN, c. C$4.2bn market capitalisation), for US$300m, in late 2010. KALiNA Power's CEO, Mr. Ross MacLachlan, served as a director with Mr. Myers at Pristine Power from 2002 to 2010.

Appointed 19 October 2016

Mr Peter Littlewood

As one of Asia-Pacific's leading sector professionals, Mr. Littlewood was formerly the Group Director of Operations at CLP Group ("China Light and Power") and was responsible for developing and implementing power projects across China, Hong Kong, India, and other Asia-Pacific countries. He was a member of the Group Executive Committee and Investment Committee, and a Director for numerous China Light and Power subsidiaries and has over 40 years of experience in the energy and power sector.

Over a 36 year career with China Light and Power in Hong Kong, Mr. Littlewood was responsible for engineering, project management, construction, operations and fuel supply for the entire power generation portfolio with Mr. Littlewood being instrumental in the development of multiple projects using coal, natural gas, nuclear, hydro, wind, solar and biomass technologies. During his tenure, China Light and Power became the largest international investor in the Asia-Pacific power market and is the largest external investor in the mainland China power market. It is a significant international investor in the conventional and renewable power sectors and holds significant investments, joint ventures and operations across China, Hong Kong, India, Thailand, Taiwan, and Australia including 100% ownership of Australian subsidiary, Energy Australia.

Mr. Littlewood is currently a member of the Advisory Board for Bloomberg New Energy Finance. He holds a Master's Degree in Engineering (first class honours) from the University of Cambridge and has completed the Harvard Business School Advanced Management Program.

Appointed 24 July 2017

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ross MacLachlan	Lignol Energy Corp Inc (Canada)	2007 – 2014
	Lions Bay Capital Inc (Canada)	2010 – Present
John Byrne	Jervois Mining Limited	2016 - Present

Shareholdings

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	28,143,043	4,600,000
Ross MacLachlan	9,500,000	33,300,000
Tim Horgan	720,919	12,800,000
Malcolm Jacques	756,260	1,000,000
Jeffry Myers	500,000	5,200,000
Peter Littlewood	-	-
Senior Management		
Nigel Chea	-	-
Alwyn Davey	1,385,955	4,150,000
Kesh Thurairasa	-	2,600,000

Directors' report (cont'd)

Since the end of the financial year nil share options (2016:20m) were granted to Directors and officers of the company as part of their remuneration.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 10 Board meetings and 1 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	Held	Attended	Held	Attended
John Byrne	10	10	1	1
Tim Horgan	10	10	-	-
Ross MacLachlan	10	10	-	-
Malcolm Jacques	10	10	1	1
Jeffry Myers	10	3	-	-
Peter Littlewood*	-	-	-	-

*Appointed subsequent to the end of the financial year

Company secretary

The name(s) and particulars of the Company secretary during or since the end of the financial year are:

Name	
Alwyn Davey	Mr Alwyn Davey was appointed to the position of Company Secretary on 9 July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He was a non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Directors' report (cont'd)

Principal activities

The principal activity of the consolidated entity during the year was the continued management of its projects and investments.

Review of operations

The consolidated loss for the year amounted to $11,814,313 (2016 restated: $3,971,280 loss).

The Review of Operations is set out on pages 3 to 5 of this report.

Significant Risks

The Company monitors risks and uncertainties on an ongoing basis in relation to its business objectives and operating environment. The following are deemed material risks to the business:

Future capital requirements and Subsidiary or Associate Business Model. The Company's strategy of developing relationships with major industry partners will reduce its future need for capital. The Company will seek to meet the reduced future funding requirements through the delivery of services to customers and the licensing of its core KALiNA Cycle technology to projects. However, if the services and licensing revenues of the Company and the Company's ability to secure equity or debt financing are not sufficient for the capital which will still be required, the Company may not be able to implement its business plan. The Company has currently established, or may in the future establish, subsidiaries or associates to further the business of the KALiNA Group. Regulatory, commercial, environmental or political risks may impact on the ability of the Company to establish and/or continue to operate subsidiaries or associates in various global jurisdictions. These factors may also impact on the ability of the subsidiary or associate companies to raise or generate capital on their own account. While the Company will seek to continue to operate existing subsidiaries or associates and to form new subsidiaries or associates, there is a risk that if those subsidiaries or associates fail to become self-funding, or cannot secure the necessary capital which will still be required, the Company may not be able to implement its business plan.

Dependence on Proprietary Technology: The Group relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its KALiNA Cycle technology. The Group enters into confidentiality or licence agreements with its employees, licensees and others and limits access to its documentation, software and other proprietary information. There can be no assurance that steps taken by the Company and KCT Power Limited (KCT) in this regard will be adequate to prevent misappropriation of its technology or that KCT's competitors will not independently develop technologies that are substantially equivalent or superior to KCT's technology. In addition, the laws of some foreign countries may not protect KCT's proprietary rights against others.

Foreign Exchange: Foreign exchange risk is relatively high due to the global nature of the Group's core business. Foreign exchange risk arises as it is likely to receive payment for services in currencies other that the Company's functional currency. In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements.

Significant changes in state of affairs

The significant changes in the affairs of the consolidated entity during or since the year end are:

- During the year the company issued 184,458,347 ordinary shares at 5 cents each and a further 42,686,531 ordinary shares were issued from the exercise of options at 5 cents each.

- The Company issued 42,600,000 options exercisable at 5.5 cents each to its Directors and Officers. The options expire on 30 November 2019. A further 700,000 listed options exercisable at 5 cents each were issued to officers. These options expired on 30 August 2017.

Directors' report (cont'd)

Subsequent events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

1. On 8 August 2017, the Company announced the proposed issue of 16,600,000 options exercisable at 6cents each expiring on 30 November 2020, to newly appointed director and executives subject to shareholder approval in November 2017.
2. On 14 August 2017, the Company announced that it has entered into an underwriting agreement with Azure Capital Limited for the full underwriting of the Company's listed option series representing total value of $3,877,134. The Company is expected to pay an underwriting commission of 5.5%.
3. On 21 August 2017, the Company announced that 4MWe KALiNA Cycle plant located at Sinopec's industrial facility in Hainan, China has achieved Mechanical Completion.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future years and the expected results of those operations may result in unreasonable prejudice to the consolidated entity and therefore have not been disclosed in this report.

Environmental issues

The consolidated entity's operations are subject to environmental regulation under both Commonwealth, State and various country legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

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

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
KALiNA Power Limited	21,600,000	Ordinary	11 cents	30 June 2018
KALiNA Power Limited	77,542,680	Ordinary	5 cents	30 August 2017
KALiNA Power Limited	42,900,000	Ordinary	5.5 cents	30 November 2019

Details of shares or interest issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
KALiNA Power Limited	42,686,531	Ordinary	2,134,327	Nil

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Directors' report (cont'd)

Non-audit services

During the year the auditor did not provide any non-audit services.

Auditor's independence declaration

The auditors' independence declaration is included on page 17 of the annual report.

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of KALiNA Power Limited's directors and its senior management for the financial year ended 30 June 2017 and 2016. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel details
- remuneration policy
- relationship between the remuneration policy and Company's performance
- remuneration of directors and senior management
- key terms of employment contracts.

Directors and senior management personnel

The following persons acted as directors of the Company during or since the end of the financial year:

<u>Executive Directors</u>

John Byrne
Ross MacLachlan
Tim Horgan

<u>Non-executive Directors</u>

Malcolm Jacques
Jeffry Myers
Peter Littlewood

The term 'senior management' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named key management personnel held their current position during or since the end of the financial year:

Nigel Chea (Chief Operating Officer – New Energy Asia – 1 June 2017)
Alwyn Davey (Company Secretary – KALiNA Power Limited)
Kesh Thurairasa (Financial Controller – KALiNA Power Limited)
George Yan (resigned 4 March 2017)

Remuneration policy

The Board's policy for determining the nature and amount of key management personnel and other remuneration is agreed by the Board of Directors.

The terms 'remuneration' and 'compensation' are used interchangeably throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and senior management of the Company.

Compensation levels for key management personnel and other employees of the Company are competitively set to attract and retain appropriately qualified and experienced directors and senior management.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel and other employees; and
- the ability of key management personnel and other employees to control areas of their respective responsibilities

Senior Executive Remuneration

Compensation packages for the Executive Directors and senior management include a mix of fixed and incentive based compensation.

The Board regularly reviews the policy regarding the appropriate mix of fixed and incentive based compensation for senior executives, having regard to industry practice to ensure the Company attracts and retains the best people.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles if any), as well as employer contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the Board through a process that considers individual contributions and overall performance of the Group, as well as market relativity. A senior executive's compensation is also reviewed on promotion.

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2017, no cash awards were made to the executives as disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2017 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2017 financial year.

In the 2017 financial year, 43,600,000 options were issued to Directors and senior executives. The current approach of not having time based vesting is considered appropriate due to the size of the Company. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

All options expire on the earlier of their expiry date or termination of the individual's employment.

Non-Executive Director Remuneration

Non-Executive Director fees are paid within an aggregate limit which must not exceed $250,000 (excluding mandatory superannuation) per annum or such other maximum as determined by the Company in a general meeting.

The cash fees paid to each Independent Non-executive Directors for the 2017 financial year were $25,000 (2016:$25,000) per annum, plus statutory superannuation.

All Non-Executive Directors are eligible to participate in the options granted.

All Non-Executive Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees or shareholders or while engaged on other KALiNA Power Limited business.

All remuneration paid/payable to key management personnel is valued at the cost to the company and expensed. Key management personnel or closely related partners of key management personnel are prohibited from entering into hedging arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the board's remuneration policy prohibits key management personnel from using the company's shares as collateral in any financial transactions, including margin loan arrangements.

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2019 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Shareholder returns are primarily measured by the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with revenues and losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2017.

	30 June 2017	Restated 30 June 2016	Restated 30 June 2015	30 June 2014	30 June 2013
Revenue	29,503	523,216	1,005,979	485,424	1,467,591
Net profit/(loss) before tax	(11,814,313)	(3,971,280)	(23,706,400)	(37,952,726)	(11,818,333)
Net profit/(loss) after tax	(11,814,313)	(3,971,280)	(23,560,243)	(37,952,726)	(11,933,585)
Share price at start of year ($)	0.048	3.060	3.06	4.59	13.00
Share price at end of year ($)	0.056	0.048	3.06	3.06	4.59
Dividends paid (cents)		-	-	-	-
Basic (loss)/profit per share (cents)	(3.6)	(3.0)	6.5	(393)	(300)
Diluted (loss)/profit per share (cents)	(3.6)	(3.0)	4.7	(393)	(300)

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employment		Share-based payment		
		Salary & Fees	Other payments	Non-monetary	Superannuation	Other long term benefits	Options and rights	Value of options as proportion of total remuneration	Total
Executive Director		$	$	$	$	$	$	%	$
John Byrne	2017	120,000	-	1,178	-	-	163,085	57	284,263
	2016	140,000	-	1,072	-	-	38,171	21	179,243
Ross MacLachlan	2017	280,000	-	9,656	35,466	-	2,307,488	88	2,632,610
	2016	221,632	-	11,167	-	-	190,856	45	423,655
Tim Horgan	2017	200,000	-	-	19,000	-	489,253	69	708,253
	2016	146,666	-	-	12,033	-	95,428	38	254,127
Non-executive directors									
Malcolm Jacques	2017	30,000	-	-	-	-	62,725	68	92,725
	2016	25,000	-	-	-	-	-		25,000
Jeffry Myers	2017	30,715	-	-	-	-	326,169	91	356,884
Senior Management									
George Yan (Ceased 4 Mar 2017)	2017	147,033	-	-	-	-	-	-	147,033
	2016	37,879	-	-	-	-	-		37,879
Nigel Chea (Appointed on 1June 2017	2017	26,528	-	-	-	-	-	-	26,528
Alwyn Davey	2017	180,000	-	-	29,100	-	163,084	44	372,184
	2016	180,000	-	-	17,100	-	28,629	13	225,729
Kesh Thurairasa	2017	135,500	-	-	28,750	-	69,190	29	233,440
	2016	135,000			29,250	-	28,629	15	192,879
TOTALS	**2017**	**1,149,776**	**-**	**10,834**	**112,316**	**-**	**3,580,994**	**74**	**4,853,920**
TOTALS	**2016**	**886,177**	**-**	**12,239**	**58,383**	**-**	**381,713**	**29**	**1,338,512**

Notes

- No cash awards were paid during the 2017 financial year (2016: Nil). All awards were made in the form of options except for R MacLachlan who was further issued with 9,000,000 fully paid ordinary shares.
- During the year 43,600,000 options were issued to directors and senior management.

None of the key management personnel remuneration in the current year or in previous year was linked to performance.
No Key management personnel was provided with any loans during the year.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options

During the financial year 39.9m options were issued to directors and the board approved the issue of 3.7m options to employees and consultants.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

20m options were granted as remuneration to key management person of the Group and Group executives.

During the financial year there were no share-based payment arrangements in existence.

Key management personnel equity holdings

Fully paid ordinary shares of KALiNA Power Limited

	Balance at 1 July 2016 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2017 No.	Balance held nominally No.
2017						
Directors						
J. Byrne	27,996,617	-	-	146,426	28,143,043	-
R MacLachlan	-	9,000,000	-	-	9,000,000	-
T Horgan	919	-	-	200,000	200,919	-
M. Jacques	415,082	-	-	-	415,082	-
J Myers	-	-	-	-	-	
Senior Management						
A. Davey	1,210,955	-	-	75,000	1,285,955	-
K. Thurairasa	110,561	-	-	(110,561)	-	-
G Yan	-	-	-	-	-	-

(i) Shares traded on the open market

During the financial year 43,600,000 share options (2016: 20,000,000) were issued to Directors and officers of the company as part of their remuneration.

	Balance at 1 July 2015 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2016 No.	Balance held nominally No.
2016						
Directors						
J. Byrne	27,946,617	-	-	50,000	27,996,617	-
R MacLachlan	-	-	-	-	-	-
T Horgan	919	-	-	-	919	-
M. Jacques	74,804	-	-	340,278	415,082	-
Senior Management						
A. Davey	1,211,413	-	-	(458)	1,210,955	-
K. Thurairasa	110,561	-	-	-	110,561	-
G Yan	-	-	-	-	-	-

(i) Shares traded on the open market

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Share options of KALiNA Power Limited

	Balance at 1 July 2016 No.	Granted as compensation No.	Value$ $	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2017 No.	Bal vested at 30 June 2017 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2017										
Directors										
J. Byrne	2,000,000	2,600,000	163,085	-	-	4,600,000	4,600,000	-	-	-
R. MacLachlan	10,000,000	23,300,000	1,461,488	-	-	33,300,000	33,300,000	-	-	-
T. Horgan	5,000,000	7,800,0000	489,253	-	-	12,800,000	12,800,000	-	-	-
M. Jacques	-	1,000,000	62,725			1,000,000	1,000,000	-	-	-
J Myers	-	5,200,000	326,169	-	-	5,200,000	5,200,000	-	-	-
Senior Management										
Nigel Chea	-	-	-	-	-	-	-	-	-	-
A. Davey	1,500,000	2,600,000	163,084	-	-	4,100,000	4,100,000	-	-	-
K. Thurairasa	1,500,000	1,100,000	25090	-	-	2,600,000	2,600,000	-	-	-
G Yan	-	-	-	-	-	-	-	-	-	-

	Balance at 1 July 2015 No.	Granted as compensation No.	Value$ $	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2017 No.	Bal vested at 30 June 2016 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2016										
Directors										
J. Byrne	24,736,403	2,000,000	38,171	(24,736,403)	-	2,000,000	2,000,000	-	-	-
R. MacLachlan	-	10,000,000	190,856	-	-	10,000,000	10,000,000	-	-	-
T. Horgan	-	5,000,000	95,428	-	-	5,000,000	5,000,000	-	-	-
M. Jacques	-	340,278	2,504	(340,278)	-	-	-	-	-	-
Senior Management										
B. Levy	-	-		-	-	-	-	-	-	-
A. Davey	1,200,000	1,500,000	28,629	(1,200,000)	-	1,500,000	1,500,000	-	-	-
K. Thurairasa	-	1,500,000	28,629	-	-	1,500,000	1,500,000	-	-	-
G Yan	-	-		-	-	-	-	-	-	-

Other transactions with key management personnel of the Group

Details of key management personnel compensation are disclosed in note 26 to the financial statements.

i. Loans to key management personnel

No loans were granted to key management personnel

ii. Other transactions with key management personnel of the Group
Transactions with key management personnel.
During the financial year R MacLachlan was issued with 9m fully paid ordinary shares as part compensation towards his remuneration.

iii. Transactions with key management personnel of KALiNA Power Limited.

J. Byrne, R. MacLachlan, T Horgan, M. Jacques, A. Davey, K. Thurairasa and George Yan are key management personnel of KPL. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

Key terms of employment contracts

The remuneration and other terms of employment for the Executive Directors and Senior Management are set out in service letters. These letters makes provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

Term	Conditions	Position
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Executive Directors/Company Secretary/Senior Management
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

During the year the Company did not engage the services of a remuneration consultant.

End of Remuneration report.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Timothy Horgan
Executive Director
Melbourne, 30 August 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Kalina Power Limited and its controlled entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in relation to the Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
30 August 2017

HLB Mann Judd (VIC Partnership)
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Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated Restated 2016 $
Revenue	4	29,503	523,216
Cost of Sales		-	-
Gross profit/(loss)		29,503	523,216
Other revenue/(payments)	6(a)	486,861	402,549
Finance income	6(a)	208,279	133,167
Employee benefits expenses	6(b)	(6,346,951)	(1,691,559)
Administration expenses		(661,434)	(417,385)
Depreciation and amortisation expenses	6(b)	(5,559)	(77,258)
Doubtful debts	6(b)	(1,850,763)	(4,726)
Travel expenses		(617,816)	(257,294)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss	3(v)	(60,000)	-
Loss recognised on disposal of part subsidiary		(497,241)	-
Intangibles written off on acquisition		-	(2,093,994)
Impairment of investments classified as available for sale		-	(81)
Borrowing costs	5	(711,734)	-
Legal and professional fees		(1,017,226)	(229,560)
Loss on conversion of debt to equity			
Patent costs		(363,566)	(79,876)
Foreign exchange gain/(loss)	6(a)	(208,240)	114,049
Finance costs	5	(198,426)	(292,528)
Profit/(loss) before tax		(11,814,313)	(3,971,280)
Income tax benefit/(expense)	7		-
(Loss)/Profit for the year		(11,814,313)	(3,971,280)
Attributed to:			
Owners of the parent	21	(10,688,207)	(3,846,966)
Non-controlling interest	20.5	(1,126,106)	(124,314)
		(11,814,313)	(3,971,280)
Other comprehensive income			
Exchange reserve arising on translation of foreign operations	20.2	354,223	(161,994)
Other comprehensive income for the period net of tax		354,223	(161,994)
Total comprehensive income/(loss) for the period		(11,460,090)	(4,133,274)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(10,333,984)	(4,008,960)
Non controlling interest		(1,126,106)	(124,314)
		(11,460,090)	(4,133,274)
(Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	29	(3.6)	(3.0)
Diluted (cents per share)	29	(3.6)	(3.0)

Notes to the financial statements are included on pages 23 to 56.

Consolidated statement of financial position
as at 30 June 2017

		Consolidated		
			Restated	
		2017	2016	2016
	Note	$	$	$
Current assets				
Cash and cash equivalents	24	4,343,365	755,861	755,861
Trade and other receivables	8	132,226	1,235,057	1,235,057
Other financial assets	9	71	71	71
Total current assets		**4,475,662**	**1,990,989**	**1,990,989**
Non-current assets				
Trade and other receivables	10	-	932,334	932,334
Investments accounted for using the equity method	11	9,200	9,200	9,200
Property, plant and equipment	12	21,593	14,658	14,658
Intangible assets	13			4,204,008
Total non-current assets		**30,793**	**956,192**	**5,160,200**
Total assets		**4,506,455**	**2,947,181**	**7,151,189**
Current liabilities				
Trade and other payables	14	953,780	986,643	986,646
Borrowings	15	60,238	2,620,548	2,620,548
Provisions	16	151,315	110,329	110,329
Total current liabilities		**1,165,333**	**3,717,520**	**3,717,523**
Non-current liabilities				
Trade and other payables	17	1,359,858	1,301,265	1,301,263
Borrowings		863,690	-	-
Provision	16	78,649	70,255	70,255
Total non-current liabilities		**2,302,197**	**1,371,520**	**1,371,518**
Total liabilities		**3,467,530**	**5,089,038**	**5,089,041**
Net assets/(liabilities)		**1,038,925**	**(2,141,857)**	**2,062,148**
Equity/(net deficiency)				
Issued capital	18	101,720,362	91,632,654	91,632,654
Reserves	20	3,925,441	(1,271,276)	809,990
Accumulated losses	21	(94,792,576)	(84,104,369)	(90,761,712)
Total equity attributable to equity holders of the company		10,853,227	6,257,009	1,680,932
Non-controlling interest	20.5	(9,814,302)	(8,398,866)	381,216
Total equity/(net deficiency)		**1,038,925**	**(2,141,857)**	**2,062,148**

Notes to the financial statements are included on pages 23 to 56.

Consolidated statement of changes in equity for the financial year ended 30 June 2017

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 previously reported	**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 correction of error on opening balance (note 31)	-	3,891,201	-	(5,826,723)	-	(6,114,211)	(8,049,733)	(8,241,832)	(16,291,565)
Balance at 1 July 2015 (restated)	**89,672,984**	**3,514,002**	**5,070,186**	**(9,939,836)**	**(450,800)**	**(80,257,403)**	**7,609,133**	**(8,389,432)**	**(780,299)**
Profit/(loss) for the year previously reported	-	-	-	-	-	(16,618,250)	(16,618,250)	(223,374)	(16,851,894)
Movement in foreign exchange values previously reported	-	(16,250)	-	-	-	-	(16,250)	(17,136)	(33,386)
Impact of correction of error (note 31)	-	(145,744)	-	-	-	12,771,284	12,625,540	231,076	12,866,886
Total comprehensive income for the period (restated)	-	(161,994)	-	-	-	(3,846,966)	(4,008,960)	(9,434)	(4,018,394)
Value of options issued (note 20.3)	-	-	699,989	-	-	-	699,989	-	699,989
Value of options exercised	2,823	-	(2,823)	-	-	-	-	-	-
Issue of shares (note 18.1)	2,023,452	-	-	-	-	-	2,023,452	-	2,023,452
Share issue cost (note 18.1)	(92,600)	-	-	-	-	-	(92,600)	-	(92,600)
Recognition of minority interest	-	-	-	-	-	-	-	799,326	799,326
Impact of correction of error on minority interest	-	-	-	-	-	-	-	(799,326)	(799,326)
Exercise of options (note 18.1)	25,995	-	-	-	-	-	25,995	-	25,995
Balance at 30 June 2016	**91,632,654**	**3,352,008**	**5,767,352**	**(9,939,836)**	**(450,800)**	**(84,104,369)**	**6,257,009**	**(8,398,866)**	**(2,141,857)**
Balance at 1 July 2016	**91,632,654**	**3,352,008**	**5,767,352**	**(9,939,836)**	**(450,800)**	**(84,104,369)**	**6,257,009**	**(8,398,866)**	**(2,141,857)**
Profit/(loss) for the year	-	-	-	-	-	(10,688,207)	(10,688,207)	(1,126,106)	(11,814,313)
Movement in foreign exchange values	-	354,223	-	-	-	-	354,223	(289,330)	64,893
Total comprehensive income for the period	-	354,223	-	-	-	(10,688,207)	(10,333,984)	(1,415,436)	(11,749,420)
Value of options issued (note 20.3)	-	-	6,199,876	-	-	-	6,199,876	-	6,199,876
Value of options exercised	1,357,382	-	(1,357,382)	-	-	-	-	-	-
Issue of shares (note 18.1)	7,315,625	-	-	-	-	-	7,315,625	-	7,315,625
Share issue cost (note 18.1)	(719,626)	-	-	-	-	-	(719,626)	-	(719,626)
Exercise of options (note 18.1)	2,134,327	-	-	-	-	-	2,134,327	-	2,134,327
Balance at 30 June 2017	**101,720,362**	**3,706,231**	**10,609,846**	**(9,939,836)**	**(450,800)**	**(94,792,576)**	**10,853,227**	**(9,814,302)**	**1,038,925**

Notes to the financial statements are included on pages 23 to 56.

Consolidated cash flow statement
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated Restated 2016 $
Cash flows from operating activities			
Receipts from customers		824,877	11,052
Interest and finance costs paid		(49)	(20,537)
Payments to suppliers and employees		(4,932,660)	(2,975,149)
Sundry income		5,000	-
Net cash used in operating activities	24(i)	(4,102,832)	(2,984,634)
Cash flows from investing activities			
Interest received		83,007	13,408
Payment for equity investment		(6,090)	-
Payment for plant and equipment		(4,399)	(3,437)
Loan to other entity		-	(963,230)
Loans to related party		(4,994)	-
Receipts/(payment) for deposits		(14,575)	-
Net cash provided by/(used in) investing activities		52,949	(953,259)
Cash flows from financing activities			
Proceeds from issue of shares and options		7,952,439	2,185,994
Proceeds from borrowings		151,869	2,500,000
Adjustment for gain/(loss) of control of subsidiaries		-	40,509
Capital raising costs		(466,921)	(71,848)
Net cash provided by financing activities		7,637,387	4,654,655
Net (decrease) / increase in cash and cash equivalents		3,587,504	716,762
Cash and cash equivalents at the beginning of the financial year		755,861	39,099
Cash and cash equivalents at the end of the financial year	24	4,343,365	755,861

Notes to the financial statements are included on pages 23 to 56.

Notes to the financial statements
for the financial year ended 30 June 2017

1. General information

KALiNA Power Limited (KPL) is a company limited by shares, incorporated and domiciled in Australia. The principal activities of the company and its subsidiaries ('the Group or the consolidated entity') is the deployment of the KALiNA Cycle technology internationally and the continued management of their projects and investments. KPL's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
Ground Floor,	Ground Floor,
585 Burwood Road	585 Burwood Road
Hawthorn VIC 3122	Hawthorn VIC 3122

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 30 August 2017.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 judgments are:

- Financial assets, including investments in associates, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected (Note 3(v), 8, 9, 10, and 11)

- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 20.3).

- Impairment of intangible assets
    - Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units to which assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

- The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

- Receivable of $951,469 from the sale 7.5m shares in NEA: As a result of the delay in expanding NEA into the rest of Asia, the directors believe it is prudent to make total provision for the receivable. In the event that this amount is not recovered, the 7.5m shares in NEA will revert back to the Company.

2. Summary of accounting policies (cont'd)

- Trade receivable of $497,734 and other receivable of $404,555 from SSNE: Although the company announced recently that the Hainan plant reached mechanical completion, the company believes as a result of the delay in completion of the plant and the amount receivable was incurred prior to the Tri-Party agreement there is a significant uncertainty as to whether these amounts could be recovered from the proceeds from Sinopec to SSNE, as secured creditors are expected take priority. Hence full provision has been recognised in the accounts.

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning 1 July 2015. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

Standards and interpretation adopted with no effect in the financial statements

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will have minimal impact based on financial instrument held at 30 June 2017.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Given the amount of revenue generated by the group for this year, the directors are not in a position to establish the impact of AASB 115.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

3. Summary of accounting policies (cont'd)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.
Although the directors have not yet established a dollar impact, it is believed that the net impact to the company's operating result and net assets will not be material.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group or the Consolidated Entity ' in these financial statements). A controlled entity is any company in which KALiNA Power Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Total profit or loss and other comprehensive income of subsidiaries is attributable to owners of the Company and to the non-controlling interest even if these results in the non-controlling interest having a deficit balance.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

c) Cash and cash equivalents

Cash comprises cash on hand, cash at call and short-term deposits with maturity periods less than 90 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial assets

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

2. Summary of accounting policies (cont'd)

(d) Financial assets (cont'd)

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss ("FVTPL") if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

2. Summary of accounting policies (cont'd)

(e) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as financial liabilities, which are measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

(f) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("$"), which is the functional currency of KALiNA Power Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(g) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss statement.

2. Summary of accounting policies (cont'd)

(i) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value.

(k) Property, plant and equipment

Plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The useful lives used for each class of depreciable assets are:

Leasehold improvements	2-5 years
Plant and equipment	4-12 years

2. Summary of accounting policies (cont'd)

(k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

<u>Rendering of services</u>
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

<u>Royalties</u>
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

<u>Dividend and interest revenue</u>
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount of initial recognition.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of accounting policies (cont'd)

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(o) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(p) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2. Summary of accounting policies (cont'd)

(r) Lease payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of performance is focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Power business

The Investment segment provides administration support and is responsible for the investment activities of the group. The power business segment located in the US and UK manages the power business of the group.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) The following is an analysis of the Group's revenue and results by reportable operating segments:

	Segment revenue		**Segment profit/(loss)**	
	2017	**Restated 2016**	**2017**	**Restated 2016**
	$	**$**	**$**	**$**
Continuing operations				
Investments	213,495	-	(8,763,226)	(2,162,856)
Power business	511,148	523,216	(3,051,087)	(1,808,424)
Total of all Segments	724,643	523,216	(11,814,313)	(3,971,280)
Unallocated items				
Share of loss of associate			-	-
Total loss before tax			(11,814,313)	(3,971,280)
Exchange reserve arising on translation of foreign operations			354,223	(161,994)
Company tax			-	-
Total comprehensive income for the period			**(11,460,090)**	**(3,809,286)**

The segment revenue reported above represents the revenue generated from external customers. There were no intersegment sales in the current year (2016: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets

	2017	**Restated 2016**
	$	**$**
Investments	4,166,717	1,712,833
Power business	339,738	1,234,348
Total segment assets	4,506,455	2,947,181
Unallocated assets	-	-
Total assets	4,506,455	2,947,181

(iii) Segment liabilities

Investments	1,547,249	3,181,225
Power business	1,920,281	1,907,816
Total liabilities	3,467,530	5,089,041

3. Segment information (cont'd)

(iv) Geographical information

The group operates in these principal geographical areas. Australia (country of domicile), UK, China and the USA.

	Revenue from external customers		Non-current assets	
	2017 $	Restated 2016 $	2017 $	Restated 2016 $
Australia	-	-	30,793	956,004
China	-	523,216	-	-
USA	29,503	-	-	188
	29,503	**524,130**	**30,793**	**956,192**

(v) Other segment information

	Depreciation and amortisation	
	2017 $	2016 $
Investments	5,371	77,084
Power	188	174
	5,559	**77,432**

Investments Segment: Impairment losses recognised for the year

	2017 $	2016 $
Unlisted Investments	60,000	-
	60,000	**-**

4. Revenue

	Consolidated	
	2017 $	Restated 2016 $
Engineering services	29,503	-
Project fee (i)	-	523,216
	29,503	**523,216**

All revenue relates to continuing operations.

(i) Project fee relate to revenue from SSNE in relation to work already completed on the previously stalled project at Sinopec Hainan.

5. Finance costs

	Consolidated	
	2017 $	Restated 2016 $
Interest and expenses – related parties	1,239	-
Interest – other	197,187	292,528
Borrowing costs – other	711,734	-
	910,160	**292,528**

Weighted average rate of funds borrowed is 10% (2016 – 9.8%)

6. Loss for the year

(a) Gains and losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated	
	2017 $	Restated 2016 $
Management fee	33,037	-
Impaired trade debt received	446,608	-
Gain on creditors no longer payable	1,954	399,646
Sundry income	5,262	2,903
Other revenue/(expenses)	486,861	402,549
Interest income	208,279	133,167
Net foreign exchange gains/(losses)	(208,240)	114,049

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2017 $	Restated 2016 $
Rental expenses	236,438	80,183
Depreciation of plant and equipment	5,559	77,258
Doubtful debts (i)	1,850,763	4,726
Employee benefit expense:		
Defined contribution plans	106,145	53,685
Share based payments	3,580,994	381,713
Salaries and wages	2,659,812	1,256,161
	6,346,951	1,691,559

(i) Provision made on account to other
receivable which are not yet treated as bad

7. Income taxes

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2017 **$**	**Restated 2016** **$**
(Loss)/profit before tax from continuing operations	(11,814,313)	(3,971,280)
Income tax (benefit)/expense calculated at 30%	(3,544,294)	(1,191,384)
Effect of expenses that are not deductible in determining taxable income	1,342,231	105,458
Effect of temporary differences	573,425	21,437
Effect of deferred tax losses not brought to account	1,628,832	1,064,489
Income tax expense recognised in profit or loss	**-**	**-**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances	Consolidated	
	2017 **$**	**Restated 2016** **$**
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	9,682,416	8,369,228
- tax losses - capital	4,473,466	4,272,446
- temporary differences	2,115,300	1,651,957
	16,271,182	**14,293,631**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profit will be available against which the group can utilise the benefits there from.

The following deferred tax balances have not been brought to account	Consolidated	
	2017 **$**	**2016** **$**
Deferred tax assets		
- Investments	1,530,461	1,530,461
- Provisions	140,685	84,149
- Provision for bad debt	444,154	37,347
	2,115,300	**1,651,957**
Tax losses recognised		
- Temporary differences not recognised		-
- Net deferred tax assets and liabilities recognised	(2,115,300)	(1,651,957)
	-	**-**

8. Trade and other receivables: current

	Consolidated 2017 $	2016 $
Trade receivables	14,732	838,884
Goods and services tax recoverable	27,068	15,262
Receivable from key management personnel	502	502
Other receivables	59,886	372,963
Receivables from director related entities	30,038	7,446
	132,226	**1,235,057**

The average credit period is 30 days after the end of the month in which the invoice is raised.
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Credit risk
The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivable specifically provided for and mentioned within note 6

9. Other financial assets: current

	Consolidated 2017 $	2016 $
Financial assets carried at fair value through profit or loss (FVTPL)		
Held for trading non-derivative financial assets (i)	71	71
	71	**71**

The fair values of the financial assets were determined as follows:
(i) The fair value of the shares has been determined with reference to quoted market prices.

10. Trade and other receivables: non-current

	Consolidated 2017 $	2016 $
Receivable other	932,334	932,334
Less: provision for doubtful debts	(932,334)	
	-	**932,334**

11. Investments accounted for using the equity method

	Consolidated	
	2017	**2016**
	$	**$**
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	**9,200**	**9,200**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2017 %	Ownership interest 2016 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%
Activated Water Technologies Pty Ltd	Australia	Investment	20%	-

Summarised financial information in respect of the Group's associates is set out below:

	Consolidated	
	2017	**2016**
	$	**$**
Financial position:		
Total assets	9,200	9,200
Total liabilities	-	-
Net assets	9,200	9,200
Group's share of associates' net assets	4,232	4,232
Financial performance:		
Total revenue	-	-
Total (loss)/profit for the year before tax	-	-
Income tax expense	-	-
Net (loss)/profit for the year	-	-
Other comprehensive income	-	-
Group's share of associate's profit/(loss)	-	-
Reconciliation to Carrying Amounts		
Group's share of associates' opening net assets	4,232	4,232
Investments during the period	-	-
Group's share of associates' other comprehensive income	-	-
Group's share of dividends paid by associates	-	-
Group's share of associates' closing net assets	4,232	4,232

Dividends received from associates
No dividends were received during the year (2016: Nil) from its associate.

Commitments
There are no operating leases obligations for associate.

12. Property, plant and equipment

	Consolidated	
	Plant and equipment at cost	**Total**
	$	$
Gross carrying amount		
Balance at 1 July 2015	526,131	526,131
Additions	3,437	3,437
Consolidation adjustment	8,252	8,252
Balance at 1 July 2016	537,820	537,820
Additions	12,494	12,494
Assets written off	(2,204)	(2,204)
Balance at 30 June 2017	548,110	548,110
Accumulated depreciation		
Balance at 1 July 2015	438,013	438,013
Depreciation expenses	77,258	77,258
Consolidated adjustment	7,891	7,891
Balance at 1 July 2016	523,162	523,162
Depreciation expense	5,559	5,559
Assets written off	(2,204)	(2,204)
Balance at 30 June 2017	526,517	526,517
Net book value		
As at 30 June 2016	**14,658**	**14,658**
As at 30 June 2017	**21,593**	**21,593**

Aggregate depreciation allocated, which is recognised as an expense during the year:

	Consolidated	
	2017	**2016**
	$	**$**
Plant and equipment	5,559	77,258

13. Intangible assets

	Consolidated (Restated)	
	Patent	**Total**
	$	**$**
Gross carrying amount		
Balance at 1 July 2015	360,272	360,272
Balance at 1 July 2016	360,272	360,272
Acquired during the year	-	-
Balance at 30 June 2017	360,272	4,988,536
Accumulated amortisation and impairment		
Balance at 1 July 2015	360,272	360,272
Amortisation expense	-	-
Impairment (i)	-	-
Balance at 1 July 2016	360,272	360,272
Amortisation expenses	-	
Balance at 30 June 2017	360,222	360,272
Net book value		
As at 30 June 2016 (Restated)	**-**	**-**
As at 30 June 2017	**-**	**-**

14. Trade and other payables – current

	Consolidated	
	2017 $	Restated 2016 $
Unsecured:		
Trade payables (i)	953,780	848,695
Other payable (ii)	-	137,948
	953,780	**986,643**

(i) Payment terms for the Company and Consolidated entity during the current year and comparative period average 30 days. Included in this an amount of $149,359 belonging to Aqua Guardian Group Ltd which is expected be to divested prior to 31 December 2017 at which point this amount will not form part of the group's trade payable.

(ii) Balance payable by subsidiary KCT for the purchase of Recurrent Engineering LLC

15. Borrowings

	Consolidated	
	2017 $	2016 $
Loans from:		
- Other entities – secured loan - note (i)	923,928	2,620,548
	923,928	**2,620,548**
Disclosed in the financial statements as:		
Current borrowings	60,238	2,620,548
Non-Current borrowings	863,690	-
	923,928	**2,620,548**

(i) The above borrowing relate to funds borrowed by Aqua Guardian Group Ltd. This company is expected to be divested prior to 31 December 2017 and will not form part of group's borrowings after the divestment. Interest is currently payable @ 10% per annum.

16. Provisions:

	Consolidated	
	2017 $	2016 $
Employee benefits	229,964	180,584
	229,964	**180,584**
Disclosed as current	151,315	110,329
Disclosed as non-current	78,649	70,255
	229,964	**180,584**

17. Trade and other payables: non-current

	Consolidated	
	2017 $	Restated 2016 $
Other payable (i)	1,359,857	1,301,265
	1,359,857	**1,301,265**

(i) Relate to amount owing to key outside shareholders of New Energy Asia (NEA), payable when NEA has adequate funds to meet one year working capital requirement after payment this amount. Interest is payable at 10% per annum.

18. Issued capital

	Consolidated	
	2017	2016
	$	$
Fully paid ordinary shares 30 June 2017: 360,480,132 (30 June 2016: 133,335,253)	**101,720,362**	**91,632,654**

	2017		2016	
	No.	$	No.	$
18.1 Ordinary shares				
Balance at beginning of year	133,335,253	91,632,654	109,893,416	89,672,984
Exercise of options	42,686,531	3,491,709	259,955	28,818
Issue of shares	125,362,228	4,519,370	21,600,000	1,891,207
Shares issued to creditors and lenders	59,096,120	2,796,255	1,581,882	132,245
Share issue costs	-	(719,626)	-	(92,600)
Balance at end of financial year	**360,480,132**	**101,720,362**	**133,335,253**	**91,632,654**

Ordinary shares carry one vote per share and carry the right to dividends.

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$
Balance	1 July 2016	133,335,253		91,632,654
New Issue	5 August 2016	15,000,000	0.050	543,629
New Issue	12 September 2016	151,230,338	0.050	5,623,146
New Issue	15 September 2016	5,640,000	0.050	214,944
Options exercised	26 October 2016	25,068	0.050	1,896
Options exercised	1 December 2016	24,986,769	0.050	1,889,867
New Issue	19 December 2016	3,588,010	0.050	87,906
New Issue	22 December 2016	9,000,000	0.050	846,000
Options exercised	22 December 2016	97,503	0.050	7,374
Options exercised	10 February 2017	51,469	0.050	3,893
Options exercised	9 May 2017	17,519,241	0.050	1,588,189
Options exercised	15 June 2017	6,481	0.050	490
Capital raising costs				(719,626)
Balance	30 June 2017	360,480,132		101,720,362

Capital Management

The management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. Management manages the Group’s capital by assessing the Group’s financial risks and adjusting the capital structure in response to changes in these risks and in the market.

19. Options

	2017 No	2016 No
Balance at beginning of the year	43,668,767	68,863,955
Issue of options	163,129,212	44,641,882
Exercise of options	(42,686,531)	(259,955)
Options expired	(22,068,767)	(69,577,115)
Balance at end of financial year	**142,042,681**	**43,668,767**

The following Options were on issue at 30 June 2017:

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 5 August 2016)	7,500,000	5 cents	30 August 2017
Tranche 3 (granted on 15 September 2016)	64,748,681	5 cents	30 August 2017
Tranche 4 (granted on 2 December 2016)	3,500,000	5 cents	30 August 2017
Tranche 5 (granted on 19 December 2016)	1,794,000	5 cents	30 August 2017
Tranche 6 (granted on 19 December 2016)	42,900,000	5.5 cents	30 November 2019
Total	142,042.681		

20. Reserves

	Consolidated	
	2017 $	Restated 2016 $
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	3,706,231	3,352,008
Share based payment reserve	10,609,846	5,767,352
Other reserve	(9,939,836)	(9,939,836)
	3,925,441	**1,271,276**

20.1 Treasury shares

	Consolidated	
	2017 $	2016 $
Value of shares in KALiNA Power Limited (i)	(450,800)	(450,800)
	(450,800)	**(450,800)**

(i) The above represents the value of KALiNA Power Limited shares held by Exergy Inc an associate.

20.2 Foreign currency translation reserve

	Consolidated	
	2017 $	Restated 2016 $
Balance at beginning of year	3,352,008	3,514,002
Exchange differences arising on translating the net assets of foreign operations (i)	354,223	(161,994)
Balance at end of year	**3,706,231**	**3,352,008**

(i) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

20. Reserves (cont'd)

20.3 Share based payments reserve

	Consolidated	
	2017 $	2016 $
Balance at beginning of year	5,767,352	5,070,186
Value of options exercised	(1,357,382)	(2,823)
Value of options issued with shares (i)	6,199,876	699,989
Balance at end of year	**10,609,846**	**5,767,352**

(ii) The options are valued using Black-Scholes method

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(q). Additionally value of free options and warrants issued with shares and convertible notes are accounted for in this account. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 31 to the financial statements.

20.4 Other reserve

	Consolidated	
	2017 $	Restated 2016 $
Balance at beginning of year	(9,939,836)	(9,939,836)
Movements during the year	-	-
Balance at end of year	**(9,939,836)**	**(9,939,836)**

The other reserves represent excess consideration paid over the prior year value of the non-controlling interest of KCT Power Ltd and Company's holding in New Energy Asia Ltd decreasing by 5.10% in the prior years.

20.5 Non-controlling interest

	Consolidated	
	2017 $	Restated 2016 $
Balance at beginning of year	(8,398,866)	(8,389,832)
Share of profit/(loss) for the year	(1,126,106)	(124,314)
Movement in foreign exchange values	(289,330)	114,880
Reclassification		-
Difference arising on loss of control of subsidiaries		-
Balance at end of year	**(9,814,302)**	**(8,398,866)**

21. Accumulated losses

	Consolidated	
	2017 $	Restated 2016 $
Balance at beginning of year	(84,104,369)	(80,257,403)
Net profit/(loss) attributable to members of the parent entity	(10,688,207)	(3,846,966)
Balance at end of year	**(94,792,576)**	**(84,104,369)**

22. Commitments

(a) Operating leases

These obligations are not provided for in the financial report and are payable.

	Consolidated 2017 $	Consolidated 2016 $
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	114,281	1,134
- Longer than 1 year and not longer than 5 years	164,184	-
- Longer than 5 years	-	
	278,465	**1,134**

The above commitment relate of lease of office space for the Company in Melbourne

23. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity			
KALiNA Power Limited	Australia		
Subsidiaries			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
Aqua Guardian Group Limited (i)	Australia	60.2	79.2
New Energy Asia Limited (i)	Cayman Island	75.6	75.6
It's group entity being			
Pacific Dynasty Limited (i) (ii)	Hong Kong	49.9	49.9
AWO (Shanghai) New Energy Technology Development Co Ltd (i)	China	100	100
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
Recurrent Engineering LLC (i)	USA	100	100
Global Geothermal Husavik Limited (i)	United Kingdom	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100

(i) None of these entities are part of the tax consolidation group.

(ii) Despite holding less than 50% ownership, as NEA controls the board of Pacific Dynasty, NEA therefore controls the operations and dividend distribution of the company. Hence, Pacific Dynasty is considered a subsidiary and accordingly has been consolidated with the group

24. Cash and cash equivalents

	Consolidated	
	2017	**2016**
	$	**$**
Cash and bank balances	**4,343,365**	**755,861**

(i) Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	Consolidated	
	2017	**2016**
	$	**$**
Profit/(loss) for the year	(11,814,313)	(16,851,894)
Fair value (gains)/losses on investment	60,000	-
Loss from part sale of subsidiary	497,241	-
Equity settled share based payment	4,616,128	412,251
Gain on revaluation of associate	-	(2,280,340)
Change in fair value (gains)/losses of financial assets	-	81
Loss from debt settled	-	13,594,560
Impairment of intangibles	-	3,290,935
Depreciation of property, plant and equipment	5,559	501,516
Bad debts	1,850,763	4,726
Foreign exchange (gain)/losses	237,347	(115,432)
Interest income received and receivable	(208,279)	(342,802)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	285,933	(576,198)
Increase / (decrease) in liabilities:		
Trade and other payables	317,409	(650,083)
Provisions	49,380	28,046
Net cash from/(used in) operating activities	**4,102,832**	**(2,984,634)**

(ii) Non-cash investing/financing transactions

On 12 September 2016, the company issued 49,868,110 shares at 5 cents each together with a free attaching option exercisable at 5 cents for every two shares issued to settle Harington loan and part interest amounting to $2,493,406. The options expire on 30 August 2017.

On 15 September 2016, the company issued 2,700,000 shares and 2,940,000 shares at 5 cents each together with a free attaching option exercisable at 5 cents for every two shares issued to settle cost of Recurrent Engineering LLC purchased for $135,000 and settle creditors amounting to $147,000 respectively. The options expire on 30 August 2017.

On 19 December 2016, the company issued 3,588,010 shares at 5 cents each together with a free attaching option exercisable at 5 cents for every two shares issued to settle final Harington loan interest amounting to $179,400. The options expire on 30 August 2017.

25. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group's capital structure consists of deposits with banks and loans from related parties or other entities (refer note 16).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, re-negotiate intercompany loan arrangements with its parent or sell assets to provide cash flow.

The Group monitors capital on the basis of the gearing ratio. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk management policies and procedures are established with regular monitoring and reporting.

(b) Financial Risk Management

The Group has exposure to various risks from the use of financial instruments. The Group's principal financial instruments comprise cash, receivables, payables and other financial assets and liabilities. This note presents information about the Group's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Group does not enter into derivative transactions to manage financial risks.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group**.** The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate. The Group's exposure to credit risk at balance date in relation to each class of financial assets is the carrying amount of the assets as indicated in the Statement of Financial Position. Cash and term deposits are only made with selected counterparties with a strong Standard & Poors long term rating. Adherence to the treasury policy is monitored on a monthly basis.

25. Financial instruments (cont'd)

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturity profile of financial instruments

The following tables detail the Company and Group's contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2017						
Financial assets						
Trade and other receivables	-	41,994	56,692	-	-	
Trade and other receivables – Related party	-	-	25,910	4,128		-
Other receivables	-	-	-	-	502	-
Financial liabilities						
Trade and other payables						-
Other payables		204,489	450,919	69,671	1,588,559	
Borrowings	10%	-	-	60,238	863,690	-
2016						
Financial assets						
Trade and other receivables	-	-	894,318	333,293	932,334	-
Trade and other receivables – Related party	-	-	7,446	-	-	-
Other receivable						
Financial liabilities						
Trade and other payables	-	726,584	146,826	113,235	-	-
Other payables	10%	-	-	-	1,301,265	
Borrowings	10%	-	2,620,548	-	-	-

25. Financial instruments (cont'd)

(e) Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(f) Fair value of financial assets and liabilities

On-balance sheet
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Interest rate sensitivity analysis

Financial assets

As at 30 June 2017, the Group held $4,343,365 (2016: $755,861) in cash and cash equivalents with interest revenue of $64,828 (2016: $12,655) for the year then ended. A sensitivity of 1% (2016: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2016: 1.0%) increase in the cash rate would have resulted in a $25,337 (2016: $3,975) increase in interest revenue and equity. A 1% (2016: 1.0%) decrease in the cash rate would have resulted in a $25,337 (2016: $3,975) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2017, the Group's borrowings and interest bearing trade and other payables amounted to $2,283,786 (2016: $3,912,813) with interest expenses of $198,426 (2016: $292,724) for the year then ended. A sensitivity of 1% (2016: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2016: 1.0%) increase in the cash rate would have resulted in a $14,706 (2016: $38,636) increase in interest expenses. A 1.0% (2016: 1.0%) decrease in the cash rate would have resulted in a $14,706 (2016: $38,636) decrease in interest expenses.

(g) Other price risks

The Group is exposed to equity price risks arising from equity instruments. Equity instruments are held for strategic and for trading purposes.

Equity price sensitivity analysis

At 30 June 2017, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated	
	2017 **$**	**2016** **$**
Held for trading – at fair value (note 9)	71	71

	-5% **2017** **$**	**-5%** **2016** **$**	**+5%** **2017** **$**	**+5%** **2016** **$**
Change in loss	(4)	(4)	3	3

25. Financial instruments (cont'd)

(h) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD) and British Pounds (GBP). Average rate applied during the year $0.73 (2016: $0.73) and reporting date spot rate $0.74 (2016: $0.74) for USD and average rate applied during the year £0.492 (2016: £0.492) and reporting date spot rate £0.555(2016: £0.555) for GBP.

Amounts of foreign currency in creditors	Consolidated	
	2017	**2016**
	$	**$**
Trade Payables (USD)	(1,898,162)	(1,720,317)
Trade Payable (GBP)	(24,779)	(51,147)
Trade Receivables (USD)	34,625	1,208,611
	1,888,316	(562,853)

Movement in USD and GBP against AUD	**-20%**	**-20%**	**+20%**	**+20%**
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Change in gain/(loss) -USD	(465,884)	(127,927)	310,589	85,284
Change in gain/(loss) -GBP	(6,116)	(12,708)	4,182	8,577

The sensitivity of 20% has been selected as this considered reasonable given the current level of both short term and long term exchange movement for these currencies and the above analysis assumes all other variables remain constant.

Gearing ratio

The Group's Board reviews the capital structure on an annual basis. The gearing ratio at year end was as follows:

	Consolidated	
		Restated
	2017	**2016**
	$	**$**
Financial assets		
Debt (i)	923,930	2,620,548
Cash and cash equivalents	(4,343,365)	(755,861)
Net debt	(3,419,435)	1,864,687
Equity (ii)	1,038,925	(2,141,859)
Net debt to equity ratio	-	87.1%

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 15.

(ii) Equity includes all capital and reserves.

25. Financial instruments (cont'd)

(i) Three tier hierarchy of fair value

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Consolidated		**30/06/17**	
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets at FVTPL				
Quoted equities	71	-	-	71
Total	**71**	**-**	**-**	**71**

	Consolidated		**30/06/16**	
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets at FVTPL				
Quoted equities	71	-	-	71
Total	**71**	**-**	**-**	**71**

Of the total losses for the period included in profit or loss $ nil (2016: $ nil) relates to asset-backed securities held at the end of the reporting period.

Reconciliation of fair value measurements of financial assets for Level 3 Investments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.
(j) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 Jun 2017	30 Jun 2016				
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

26. Key management personnel compensation

Details of Key management personnel

Key management is defined as directors and senior management as referred to in the remuneration report.

i. Key management personnel compensation
The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated	
	2017	**2016**
	$	**$**
Short-term employee benefits	1,160,610	886,177
Share based payment benefits	3,580,994	381,713
Post-employment benefits	112,316	70,622
	4,853,920	**1,338,512**

27. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 12 to the financial statements.

(c) Transactions with key management personnel
i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 27 to the financial statements.

ii. Other transactions with key management personnel of the Group

- On 22 December 2016, the company issued 9m fully paid ordinary shares valued at $846,000 to R MacLachlan as part of remuneration.

iii. Transactions with key management personnel of KALiNA Power Limited and KCT Power Limited

J. Byrne, R MacLachlan, T Horgan, M. Jacques, J Myers , N Chea, A. Davey, K. Thurairasa, and G Yan are key management personnel of KALiNA Power Ltd. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties
Transactions between Group and its related parties

During the financial year, the following transactions occurred between the Company and its other related parties:

- During the year the company charged $5,037 as management fee from Arcourt Resources Pty Lltd, a company in which John Byrne is a director.
- During the year Aqua Guardian Group Ltd a subsidiary of the company received $57,000 as loan from Arcourt Resources Pty Ltd. Interest payable at 10% amounted to $1,317. This loan was subsequently assigned to a third party on 28 February 2017.
- Arcourt Resources Pty Ltd received $17,645 as advance during the year from the company. At year end a total of $22,885 was owed by Arcourt Resources Pty Ltd.
- During the year the company paid $50,389 (2016: $75,964) for office rent and out goings to Twenty-Second Yeneb, a company in which John Byrne is a director.

Transactions between Group and its related parties

- The following loans were advanced by the company during the year to Aqua Guardian Group Limited $51,500 (2016: $37,000), Imparator Green Energy Plc $33,533 (2016: $39,254), KCT Power Limited $168,982 (2016: $248,779), New Energy Asia Limited $638,947 (2016: $557,742) Recurrent Engineering LLC A$870,036 (2016: $158,046).

- Interest charged on loan to Aqua Guardian Group Limited @10% amounted to $29,352 (2016: $33,850), on loan to New Energy Asia Limited @10% amounted to $117,480 (2016: $69,298) and on loan to KCT Power Limited. @3.25% amounted to $86,030 (2016: $83,794) and on loan to Recurrent Engineering amounted to $203,938 (2016: $22,693).

(e) Parent entity

The parent entity in the Group is KALiNA Power Limited

28. Remuneration of auditors

	Consolidated	
	2017 **$**	**2016** **$**
Audit and review of the financial report HLB Mann Judd	79,000	76,400
Review of restated accounts	15,000	-
Taxation services HLB Mann Judd	-	1,177
	94,000	**77,577**

29. Earnings per share

	Consolidated	
	2017 **Cents per share**	**Restated** **2016** **Cents per share**
Basic earnings (loss) per share	(3.6)	(3.0)
Diluted earnings (loss) per share	(3.6)	(3.0)

Basic earnings per share

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

	2017 **$**	**Restated** **2016** **$**
Net (loss)/profit (i)	(10,688,207)	(3,846,966)

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

	2017 **No.**	**2016** **No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	296,108,426	127,360,928

Diluted Earnings (Loss) Per Share

The options held by rights holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights are non-dilutive as they do not increase loss per share from continuing operations.

30. Share-based payments

During the financial year 43,600,000 options were issued to Directors and officers as share based payments.

The following reconciles the outstanding options granted under the employee share plan at the beginning and end of the financial year:

	2017		2016	
	Number of rights	**Weighted average exercise price**	**Number of rights**	**Weighted average exercise price**
		cents		**cents**
Balance at beginning of the financial year (ii)	21,600,000	10	-	-
Granted during the financial year	43,600,000	5.5	21,600,000	10
Balance at end of the financial year (iii)	65,200,000	7.3	21,600,000	10
Exercisable at end of the financial year	65,200,000	7.3	21,600,000	10

(i) Exercised during the financial year
During the financial year nil (2016: nil) options granted under the employee share option plan were exercised.

(ii) Balance at the beginning of the financial year
There were 21,600,000 options outstanding at the beginning of the year.

(iii) Balance at end of the financial year
The share options outstanding at the end of the financial year had an average exercise price of 7.3 cents (2016: 10 cents) and average remaining contractual life of 703 days (2016: 730 days).

31. Correction of prior period error

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.

		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 Restated	30 June 2016 Original	30 June 2015 Restated	30 June 2015 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 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.

32. Subsequent Events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

1. On 8 August 2016, the company announced the proposed issue of 16,600,000 options exercisable at 6cents each expiring on 30 November 2020, to newly appointed director and executives subject to shareholder approval in November 2017.
2. On 14 August 2017, the Company announced that it has entered into an underwriting agreement with Azure Capital for the full underwriting of the Company's listed option series representing total value of $3,877,134. The Company is expected to pay an underwriting commission of 5.5%.
3. On 21 August 2017, the Company announced that 4MWe KALiNA Cycle plant located at Sinopec's industrial facility in Hainan, China has achieved Mechanical Completion.

33. Contingent liabilities

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 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. 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.

34. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.
Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial position

	2017	Restated 2016
	$	$
Assets		
Current assets	6,617,764	2,267,510
Non-current assets	16,627,504	16,794,487
Total assets	23,245,268	19,061,998
Liabilities		
Current liabilities	392,591	2,919,659
Non-current liabilities	78,649	70,255
Total liabilities	471,240	2,989,914
Equity		
Issued capital	101,720,362	91,632,654
Accumulated losses	(88,567,574)	(80,339,317)
Reserves		
Equity settled benefits	9,621,240	4,778,746
Total equity	**22,774,028**	**16,072,083**

Financial performance

	Year ended 2017	Restated Year ended 2016
	$	$
(Loss)/Profit for the year	(8,228,257)	(2,460,115)
Other comprehensive income		-
Total comprehensive income	**(8,228,257)**	**(2,460,115)**

Contingent liabilities of the parent entity

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 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. 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.

Commitments for the acquisition of property, plant and equipment by the parent entity

There were no commitments to acquire any property, plant and equipment by the parent at the end of the financial year.

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2017, and performance of the consolidated entity for the year then ended, and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

Timothy Horgan
Executive Director

Melbourne, 30 August 2017

Independent Auditor's Report
to the Members of Kalina Power Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Kalina Power Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion,

(a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with the International Financial Reporting Standards as described in Note 2 Statement of compliance.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

HLB Mann Judd (VIC Partnership)
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HLB Mann Judd

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the key audit matter**
Reassessment of control of a controlled entity in prior periods Note 31 of the financial report	
The company previously took the view that it had lost control of New Energy Asia ("NEA") and, accordingly, no longer consolidated it. At 31 December 2016, however, the company reassessed that accounting treatment and made the necessary entries in the financial report to reverse its previous view and consolidate NEA.	Our procedures with respect to management's correction of the prior period error included, but were not limited to, the following: ▪ assessed management's rationale and judgements with respect to management's conclusion on the correction of error and its adherence with the requirements of AASB 10 *Consolidated Financial Statements*; ▪ obtained management's calculations and updated consolidation workings with respect to the restated balances of the applicable prior reporting periods and assessed whether they reflected our understanding of the revised treatment; ▪ checked the mathematical accuracy of the revised consolidation workings and performed testing of consolidation entries on a sample basis; ▪ audited, on a sample basis, transactions and results of NEA that were originally not included in the accounts for the applicable prior reporting periods; and ▪ reviewed management's disclosure of the correction of error and assessed whether it complied to the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Kalina Power Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
30 August 2017