KALINA POWER LIMITED

ABN 24 000 090 997

Half-year financial report for the half-year ended 31 December 2017

Contents

CORPORATE DIRECTORY

Directors:	Mr John Byrne	Executive Chairman
	Mr Tim Horgan	Executive Director
	Mr Ross MacLachlan	Executive Director
	Dr Malcolm Jacques	Non-executive Director
	Mr Jeffry Myers	Non-executive Director
	Mr Peter Littlewood	Non-executive Director (Appointed 24th July 2017)
Company Secretary:	Mr Alwyn Davey	
Registered Office:	Ground Floor 585 Burwood Road Hawthorn VIC 3122 Telephone: + 61 3 9236 2800 Facsimile: + 61 3 9818 3656	
Principal Place of Business:	Ground Floor 585 Burwood Road Hawthorn VIC 3122 Telephone: + 61 3 9236 2800 Facsimile: + 61 38 9818 3656	
Share Registry:	Computershare Registry Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, Vic, Australia, 3067 Telephone: 1300 787 272	
Bankers:	Commonwealth Bank of Australia 385 Bourke Street Melbourne VIC 3000	
Auditors:	HLB Mann Judd Level 9, 575 Bourke Street Melbourne VIC 3000 Telephone: + 61 3 9606 3888 Facsimile: + 61 3 9606 3800	
Solicitors:	Gadens Lawyers Level 25 Bourke Place 600 Bourke Street Melbourne VIC 3000	
Stock Exchange:	The Company is listed on the Australian Stock Exchange. ASX code: KPO	
Other Information:	KALINA POWER LIMITED, incorporated and domiciled in Australia, is a publicly listed company limited by shares.	

Directors' report

The directors of KALiNA Power Limited present the interim financial report of the company and its subsidiaries (the consolidated entity) for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporation's Act 2001*, the directors report as follows:

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

Mr John Byrne
Executive Chairman

Mr Ross MacLachlan
Executive Director

Mr Tim Horgan
Executive Director

Dr Malcolm Jacques
Non-executive Director

Mr Jeffry Myers
Non-executive Director

Mr Peter Littlewood
Non-executive Director

Review of operations

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

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

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

The Company's expenditures and modest revenues during the period were in line with its budget. The cash position at 31 December, 2017 was $5.5m.

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

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

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

With the support of identified project finance investors, the Company recently made a comprehensive indicative offer for over 65MWe of power plants. The Company tabled a fair bid which was however less than the accepted bid. With ongoing support from project finance investors the Company intends to make further offers to acquire appropriately valued power assets which can be leveraged through the use of the Kalina Cycle.

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

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

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

China
In July 2017 Mr. Peter Littlewood was appointed to the KALiNA Board as a Non-Executive Director. Mr. Littlewood has over 40 years' experience in the power industry, including 36 years with China Light and Power ("CLP Group"), one of the largest power companies in the Asia-Pacific region. Peter was the Group Director of Operations at CLP Group.

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

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

The Sinopec physical plants throughout China and internationally represent an opportunity to utilize hundreds of KALiNA Cycle waste heat recovery plants. The discussions with Sinopec in particular and with other major industrial companies in China is broadening the scope and scale of opportunities being pursued.
Deployment of the KALiNA Cycle in China on a large scale will support achieving of the objectives set out in the 19th National Congress for emission reductions and power efficiency. This coupled with the "belt and road initiative" represents major opportunities with industrial growth in specified countries or regions in accordance with PRC's state policy direction.

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

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

Corporate
Loss for the half year attributed to owners of the parent was $2,914,379 (2016: loss $6,233,331).

Subsequent events

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

Auditor's independence declaration
The auditor's independence declaration is included on page 7 of the half-year financial report.

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

On behalf of the Directors

Tim Horgan
Director
Melbourne, 26 February, 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kalina Power Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

This declaration is in respect of Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
26 February 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent auditor's review report to the members of Kalina Power Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kalina Power Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
26 February 2018

Directors' declaration

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

1. The Financial Statements and notes as set out on pages 11 to 19 are in accordance with the Corporates Act 2001 including:

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

    b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ending on that date.

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

On behalf of the Directors

Tim Horgan
Director
Melbourne, 26 February, 2018

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017

	Note	Consolidated Half-year ended 31 Dec 2017 $	Consolidated Half-year ended 31 Dec 2016 $
Continuing operations			
Revenue		9,601	22,298
Cost of sales		-	-
Gross profit/(loss)		9,601	22,298
Other revenue/(expenses)		60,549	7,204
Finance income		46,672	128,885
Employee benefits expenses		(2,383,985)	(4,778,406)
Administration expenses		(331,536)	(335,117)
Depreciation and amortisation expense		(2,175)	(2,894)
Travel expenses		(323,984)	(279,703)
Bad debts		(15,561)	-
Gain on loss of control of a subsidiary	9	629,772	-
Legal and professional fees		(211,969)	(577,820)
Project development expenses		(117,661)	-
Patent costs		(140,949)	(31,427)
Foreign exchange gain/(loss)		(288,862)	295,888
Finance costs		(104,257)	(824,881)
Loss before tax		(3,174,345)	(6,375,973)
Income tax		-	-
Profit/(Loss) for the period		(3,174,345)	(6,375,973)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange reserve arising on translation of foreign operations		272,100	(253,298)
Other comprehensive gain for the period, net of income tax		272,100	(253,298)
Total comprehensive income/(loss) for the period		(2,902,245)	(6,629,271)
Profit/(Loss) attributed to:			
Owners of the parent		(2,914,379)	(6,233,331)
Non-controlling interests		(259,966)	(142,642)
		(3,174,345)	(6,375,973)
Total comprehensive profit/(loss) attributed to:			
Owners of the parent		(2,642,279)	(6,486,629)
Non-controlling interests		(259,966)	(142,642)
		(2,902,245)	(6,629,271)
Earnings/(loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	8	(0.7)	(2.5)
Diluted (cents per share)		(0.7)	(2.5)

Notes to the consolidated financial statements are included on pages 16 to 19.

Consolidated statement of financial position as at 31 December 2017

	Consolidated	
	31 Dec 2017 $	33 Jun 2017 $
Current assets		
Cash and cash equivalents	796,417	4,343,365
Financial assets-(cash on term deposit)	4,700,000	-
Trade and other receivables	131,115	132,226
Other financial assets	71	71
Total current assets	5,627,603	**4,475,662**
Non-current assets		
Trade and other receivables	14,576	-
Investments accounted for using the equity method	9,200	9,200
Property, plant and equipment	21,549	21,593
Total non-current assets	45,325	**30,793**
Total assets	5,672,928	**4,506,455**
Current liabilities		
Trade and other payables	781,871	953,780
Borrowings	-	60,238
Provision	173,477	151,315
Total current liabilities	955,348	**1,165,333**
Non-current liabilities		
Trade and other payables	1,416,518	1,359,858
Borrowings	-	863,690
Provisions	98,383	78,649
Total non-current liabilities	1,514,901	**2,302,197**
Total liabilities	2,470,249	**3,467,530**
Net assets/(liabilities)	3,202,649	**1,038,925**
Equity		
Issued capital	108,055,758	101,720,362
Reserves	2,439,603	3,925,441
Accumulated losses	(97,706,955)	(94,792,576)
Total equity attributable to equity holders of the company	12,788,406	10,853,227
Non-controlling interest	(9,585,727)	(9,814,302)
Total equity	3,202,679	**1,038,925**

Notes to the consolidated financial statements are included on pages 16 to 19.

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

Notes to the consolidated financial statements are included on pages 16 to 19.

Consolidated statement of changes in equity
for the half-year ended 31 December 2017 (cont'd)

	Consolidated								
	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 July 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
Movement in foreign currency	-	272,100	-	-	-	-	272,100	4,246	276,346
Profit/(Loss) for the period	-	-	-	-	-	(2,914,379)	(2,914,379)	(259,966)	(3,174,345)
Total comprehensive loss for the period	-	272,100	-	-	-	(2,914,379)	(2,642,279)	(255,720)	(2,897,999)
New share issue	275,000	-	-	-	-	-	275,000	-	275,000
Difference arising on decrease in control of a subsidiary	-	-	-	-	-	-	-	484,295	484,295
Value of options Issued	-	-	646,979	-	-	-	646,979	-	646,979
Capital raising costs	(221,655)	-	-	-	-	-	(221,655)	-	(221,655)
Value of options exercised	2,404,917	-	(2,404,917)	-	-	-	-	-	-
Exercise of options	3,877,134	-	-	-	-	-	3,877,134	-	3,877,134
Balance at 31 December 2017	**108,055,758**	**3,978,331**	**8,851,908**	**(9,939,836)**	**(450,800)**	**(97,706,955)**	**12,788,406**	**(9,585,727)**	**3,202,679**

Notes to the consolidated financial statements are included on pages 16 to 19.

Consolidated cash flow statement
for the half-year ended 31 December 2017

	Consolidated	
	Half-year ended 31 Dec 2017	Half-year ended 31 Dec 2016
	$	$
Cash flows from operating activities		
Receipts from customers	70,075	12,526
Interest and finance costs paid	(2,273)	(49)
Payments to suppliers and employees	(2,867,817)	(2,079,884)
Sundry income	260	-
Net cash used in operating activities	(2,799,755)	(2,067,407)
Cash flows from investing activities		
Interest received	39,674	20,856
Payment for fixed assets	(10,226)	(1,954)
Payment to term deposits	4,700,000	-
Loans to related party	(228,947)	-
Net cash (used in)/provided in investing activities	(4,899,499)	18,902
Cash flows from financing activities		
Proceeds from issue of shares and options	4,152,134	7,073,579
Over subscription	-	5,000
Proceeds from borrowings- net	232,131	35,000
Adjustment for gain/(loss) of control of subsidiaries	(10,303)	-
Capital raising costs	(221,656)	(466,921)
Net cash provided by financing activities	4,152,306	6,646,658
Net decrease in cash and cash equivalents	(3,546,948)	4,598,153
Cash and cash equivalents at the beginning of the period	4,343,365	755,861
Cash and cash equivalents at the end of the period	796,417	5,354,014

Notes to the consolidated financial statements are included on pages 16 to 19.

Notes to consolidated financial statements

1. Summary of significant accounting policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of KALiNA Power Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue by the board of directors on 23 February 2018.

Accounting Policies

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

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

The key critical accounting estimates and judgements are:

- Unlisted share options issued by the company have been valued using Black-Scholes pricing model. Judgement is required to determine inputs to the model such as interest and volatility rates.

Going concern

The operating loss for the 6 month period ended 31 December 2017 was $3,174,345, this included an amount of $646,978 on account of non-cash value of options issued to directors and officers and $629,772 gain from loss of control of a subsidiary (half-year ended 31 December 2016: loss $6,375,973). The consolidated entity had net current assets as at 31 December 2017 of $4,672,255 (30 June 2017: net current assets $3,310,329).

In the event that the consolidated entity increases its activity in the near future and does not match the increased activity with additional revenue or funding, there is material uncertainty whether the consolidated entity will continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Segment information

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

	Revenue		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	31 Dec 2017 $	31 Dec 2016 $	31 Dec 2017 $	31 Dec 2016 $
Continuing operations				
Investments	-	-	(1,834,559)	(5,704,765)
Power business	9,601	22,298	(1,339,786)	(671,208)
Consolidated segment revenue				
Revenue for the period	9,601	22,298		
Profit/(loss) for the period	-	-	(3,174,345)	(6,375,973)

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

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

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

	Consolidated	
	31 Dec 2017 $	30 Jun 2017 $
Investments	5,318,149	4,166,717
Power business	354,780	339,738
Total segment assets	5,672,929	4,506,455
Unallocated assets		-
Total assets	5,672,929	4,506,455

3. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest 31 Dec 2017 %	Ownership interest 31 Dec 2016 %
Associates				
Exergy Inc	USA	Investment	46.0	46.0

	Consolidated	
	31 Dec 2017 $	30 Jun 2017 $
Reconciliation of movement in investment accounted for using the equity method:		
Balance at start of period	9,200	9,200
Share of loss of associate	-	-
Balance at end of period	9,200	9,200

Dividends received from associates

No dividends were received during the half year (31 December 2016: Nil) from the associates.

4. Contributed equity

	31 Dec 2017	30 June 2017
Ordinary Shares	*No .Shares*	*No. Shares*
Fully paid		
Movement during the half year		
Opening Balance	360,480,132	342,902,941
Movements during the period	83,042,680	17,577,191
	443,522,812	360,480,132

During the half year the company issued 5,500,000 ordinary shares at 5 cents and 77,542,680 options were exercised at 5 cents. The company also issued 16,600,000 employee options exercisable at 6 cents.

The following Options were on issue at 31 December 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 19 December 2016)	42,900,000	5.5 cents	30 November 2019
Tranche 3 (granted on 19 December 2017)	16,600,000	6 cents	30 November 2020

5. Fair value measurements

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

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

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

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

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

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

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 Dec 2017	30 June 2017				
1) Other financial assets	Listed equity securities in Canada - $71	Listed equity securities in Canada - $71	Level 1	Quoted bid prices in an active market.	N/A	N/A

6. Dividends

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

7. Contingent liability

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB 5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid in the near term from the payments anticipated to be made by Sinopec. On completion of the payment plan with Sinopec which will also address repayment of the Bank of East Asia loan, the Company will advise Bank of East Asia of the anticipated repayment schedule. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

There are no other known contingencies as at 31 December 2017.

8. Earnings per share

	Consolidated	
	31 Dec 2017 Cents per share	31 Dec 2016 Cents per share
Basic earnings (loss) per share	(0.7)	(2.5)
Diluted earnings (loss) per share	(0.7)	(2.5)

Basic earnings per share

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

	2017 $	2016 $
Net profit/(Loss) (i)	(2,914,379)	(6,233,331)

(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	419,024,337	244,990,558

9. Loss of control of a subsidiary

On 21 December 2017, Aqua Guardian Group Ltd converted debt owed to Lions Bay Capital Inc a company controlled by John Byrne amounting to $1,133,009 by issuing 226,601,886 fully paid ordinary shares at $0.005 per share. On the same day Aqua Guardian issued a further 20,030,908 fully paid ordinary shares to complete the acquisition of 50% of Activated Water Technologies Pty Ltd. Aqua Guardian consolidated issued capital following the above issue at 1:22. Following the consolidation Aqua Guardian issued a further 10,000,000 new shares (post consolidation) to purchase the remaining 50% of Activated Water Technologies Pty Ltd. As a result of these share issues KALiNA Power Limited holding in Aqua Guardian Group Ltd reduced to 4.2%. As a result of this reduction in shareholding, management considered the requirements of AASB10 and AASB128 and concluded that the company no longer had control or significant influence over Aqua Guardian Group Limited. Accordingly Aqua Guardian Group Limited was deconsolidated from KALiNA Power Limited as at 21 December 2017 resulting in a gain on deconsolidation of $629,772.

10. Subsequent events

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