

ASX ANNOUNCEMENT
9 October 2015

ACTIVITIES AND CORPORATE UPDATE

Kalina Power Limited (the “Company”) has completed an extensive strategic review and begun to implement steps to deliver a strong, sustainable business focussed on the international deployment of the KALiNA Cycle® which is expected to deliver value to the Company and its stakeholders.

A key aspect of this process was for the Company to attract new management; namely Mr Ross Maclachlan and Mr Tim Horgan as executive directors of the Company.

The new team has identified opportunities to maximise profitability with improved efficiencies in licensing and selective ownership of Kalina Cycle Power plants.

Key objectives identified:

- Simplify and strengthen the corporate structure
- Improve contracting and licensing procedures to be more profitable and effective
- Provide more effective oversight and control to ensure quality and compliance for project execution
- Recruit team skilled in technology commercialisation, power plant project development and management

Steps identified to improve profit margins:

- Enhanced engineering improvements
- Engineering charges for improvements to existing KALiNA Cycle® plants
- Modularisation and standardisation of plant components and procurement for quicker lead times and for better quality and margins
- Develop an international project financing package for qualified projects built to KALiNA Cycle® design specifications
- Enhanced IP portfolio and KALiNA Cycle® technology ‘trade secrets’ to command increased licensing fees

In progressing the identified objectives the following results have been achieved:

- Disposed of all non-core assets resulting in resources focussed on KALiNA Cycle®
- Simplified corporate structure removing substantially all debt from the group while significantly increasing subsidiary ownership levels including:
 - Removal of over US\$12,500,000 of external debt at Asia and China subsidiary levels and at the US level.
 - Increased ownership of New Energy Asia from 49.2% to 75%
 - Entered agreements to increase ownership and control of operations in China to 49.9% non-dilutable A class shares (completed after the yearend)
 - In process of restructuring commercial terms and management of construction of initial Sinopec Hainan project

In delivering on the above, management believes the Company will be in a position to work closely with its partners and Kalina Cycle license holders to expertly deliver Kalina Cycle power projects across a broad range of applicable industries.

Intellectual Property

One of the core items for the value of the Company is its Intellectual Property. The Company has been managing the IP portfolio in relation to the KALiNA Cycle® in conjunction with Recurrent Engineering. A new patent for increasing the efficiency of the KALiNA Cycle® was granted in the US in 2014 and Japan and China in early 2015.

The patent is pending in a number of other countries covering major market places for the Company.

Further work is being undertaken to identify additional IP opportunities for the Group. This is part of an overall review of the intellectual property strategy in which the maintenance of existing patents is being assessed and the 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)

NEA, to be renamed Kalina Power Asia Limited, has completed a restructure that allows NEA to progress its activities in Asia and to continue to support SSNE in China while it is the KALiNA Cycle® Licensee for that region, but removing all significant liabilities from its balance sheet. This restructure was completed on 31 July 2015 and the Company has increased its stake and now owns approximately 75% of the issued capital of Kalina Power Asia.

Key to future progress of Kalina Power Asia is the completion of the Sinopec Hainan 4MWe KALiNA Cycle® plant. Recurrent Engineering have recently performed a review of the Sinopec Hainan plant and are now being engaged to complete the project in as timely a process as possible. Once this project has completed the directors believe a number of new KALiNA Cycle® projects will be contracted with Sinopec and other major industrial firms in China.

On 25 September 2015, the premier of China, Mr Xi, announced that China will launch a major national program in 2017 that will limit and put a price on greenhouse gas emissions. The move to create a so-called cap-and-trade system would be a substantial step by the world's largest polluter to reduce emissions from major industries, including steel, cement, paper and electric power.

This cap-and-trade system will drive further implementation of projects that utilise technologies such as the KALiNA Cycle® which deliver energy efficiency and reduction of emissions.

Rest of World

The Company is in discussions with a number of parties in relation to projects, licensing and engineering services to be provided in relation to building KALiNA Cycle® Power plants in a number of regions, including North and Central America, Japan and Europe.

The Company continues to support FLSmidth, its licensee in the Cement and Lime industry, as they complete their projects in Pakistan and the UAE.

Similar to the announcement by the Chinese premier, the US and a number of other countries around the world are stating their proposed actions ahead of the Paris meeting in December 2015 with regard to Climate Change and the targets they aim to achieve. These targets provide a macro driver to the use of technologies to address emissions and energy efficiency. The KALiNA Cycle® is well suited to be utilised in a number of the largest industries impacted by emissions and the need for energy efficiency, as well as being suitable as a primary power plant system for geothermal power production and as a binary power solution on existing power plants.

The changes and objectives identified as key to the success of the Company will provide the expertise and strength within the Company structure required to deliver projects into this growing marketplace.

For further information please see the Corporate Presentation released to the ASX on 9 October 2015 and on the Company's website at www.kalinapower.com