

Monthly Update on KALiNA Energy Centre – Saddle Hills

Saddle Hills on track to achieve Full Notice to Proceed in Q4-2021

Waste Heat to Power ("WHP") technology leader, KALiNA Power Limited ("KALiNA" or the "Company") (ASX: KPO) is pleased to provide this monthly update on development of its Flagship 64MW Primary Site; the KALiNA Energy Centre – Saddle Hills ("Saddle Hills"), located in the County of Saddle Hills, Alberta, Canada.

Schedule for Full Notice to Proceed ("FNTF"):

KPO's Canadian subsidiary, KALiNA Distributed Power Limited ("KDP") is progressing project development milestones for its Saddle Hills project, which continues to target FNTF during Q4-2021.

Commercial Gas Supply Arrangements:

- Negotiations for long-term gas to power tolling agreements continue against a backdrop of rising natural gas prices and even more significant increases in power costs in Alberta. Over the last 12 months, gas prices have increased from \$2.07/GJ to \$3.75/GJ¹, while power prices have increased from \$54.14/MWh to \$124.10/MWh². Year to date power prices for 2021 have averaged \$102/MWh.
- In addition, KDP is taking steps to secure ownership of low-cost gas reserves for its portfolio of power projects. If successful, this would deliver a reliable and secure supply of gas at prices considerably below market, along with significant upside economics.

Engineering Procurement Fabrication & Construction:

On schedule with costs and construction phase timeline being addressed.

- Contracting of definitive agreements with major equipment vendors is well advanced.
- Enerflex has recently submitted its Class 2 FEED detailed estimating and engineering report:
 - Schedule to achieve FNTF in Q-4 2021 remains on track but the schedule through the construction phase may be extended.
 - Overall costs for equipment, construction, and installation may increase.
 - KDP and Power Engineers have reviewed the materials and are scheduling a detailed analysis with Enerflex to identify areas of improvement for both costs and schedule.

Permitting and Environmental:

On schedule with no material concerns identified.

- In late July, KDP filed its Alberta Utilities Commission ("AUC") Rule 007 regulatory application.
 - Notifications have been sent out to Saddle Hills County, Aboriginal communities, and regional stakeholders. The County has confirmed receipt and does not have any questions.
 - The AUC has confirmed completion of its initial review of the application. KDP expects to receive requests for additional information from the AUC in the coming weeks.
 - An application to Alberta Environment and Parks ("AEP") is to be filed in support of the AUC application, consistent with the information provided in the Rule 007 filing.
 - Now that the AUC application has been submitted, KDP will shortly be filing its AEP application.

¹ July 2020 to July 2021 Monthly Average Price From GLJ Ltd. <https://www.gljpc.com/price-charts>

² July 2020 to July 2021 Monthly Average Price From the Alberta Electric System Operator <http://ets.aeso.ca/>

Electrical Interconnection:

On hold with no material concerns identified.

- ATCO and AESO have largely completed the Stage 2 studies for the Saddle Hills project that are necessary to contract for the interconnection and will require deposits.
- To properly manage the timing of contractual commitments and the overall coordination of schedules to FNTF, KDP has advised ATCO and AESO to temporarily put the process on hold while the balance of the project deliverables for FNTF are completed.

Gas interconnection:

On schedule with no material concerns identified.

- Continuing work for the 2.5 km gas pipeline connecting the project to the main line.
 - EPCM Engineering firm selected and have completed preliminary design work to prepare pipeline permit application.

Government Funding:

- Engaging various Government funding programs for engineering and modularization of various applications of the Kalina Cycle Technology and for project deployment.

Regulatory:

- **Adjustments based on discontinuation of DTS credits:**

As previously reported, the AUC issued its decision to discontinue the Demand Transmission Service (“DTS”) portion of the Distributed-Connected Generation (“DCG”) credit mechanism and leave the Supply Transmission Service (“STS”) portion in place. Saddle Hills can operate without DTS revenues by employing economic dispatch to generate power only when power prices are adequate. While economic dispatch does not fully recover lost DTS Credit revenue, KDP intends to partially make up the shortfall from “grid ancillary services revenue” that would not be available were the project to operate at or near baseload capacity.

- **Appeals Process**

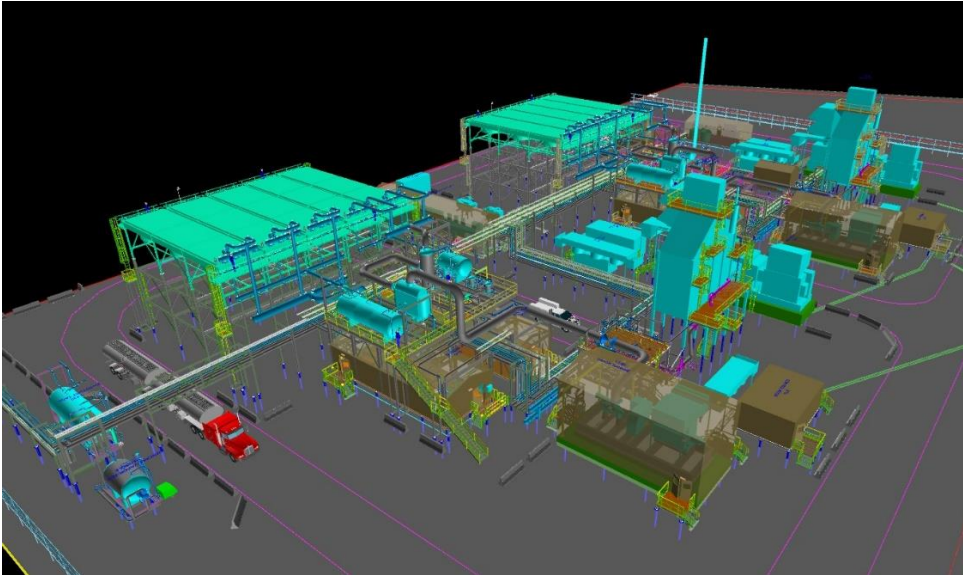
Kalina, and a consortium of other distributed power developers and generators, has filed a Stage 1 Review and Variance application with the Alberta Utilities Commission (“AUC”) seeking a review of the AUC’s decision that eliminated the DTS Credits. The Stage 1 application is making its way through the AUC process that will determine whether to grant the hearing of the Review and Variance. A decision regarding Stage 1 is expected in Q3 2021.

In addition, the consortium has filed an application for permission to appeal with the Alberta Court of Appeal. The Alberta Court of Appeal has now set 4 November 2021 to hear the permission to appeal from both the Kalina consortium and an application that was separately filed by WCSB Power.

Comment:

Managing Director Ross MacLachlan said: *“The progress we have made across the board has positioned Saddle Hills as being near ‘shovel ready’ in advance of reaching FNTF. We are now working diligently to confirm final costs and schedules. These will be included in our project funding package being presented to various debt providers who have expressed an interest in our projects. We continue to target FNTF in Q4-2021.”*

The Company will update shareholders on project progress on a monthly basis and report any other material developments in addition to the monthly update.



About KALiNA Energy Centre – Saddle Hills

Saddle Hills is KDP's Primary Site. The location is in an area of high electrical demand and favourable grid interconnection capacity along with gas supply and infrastructure suitable for KDP's initial 64MW combined cycle project. The site has sufficient infrastructure in place to accommodate two, 32MW combined cycle power plants; each configured with a 22MW natural gas turbine and a KALiNA Cycle® module that will generate 10MW of zero-emissions power from the gas turbine's waste heat.

As previously reported, KDP is assembling a portfolio of sites to deploy its distributed generation program in select areas in Alberta. KDP is developing projects, which if all brought online, would represent 320MW of generation.

About KALiNA Power Limited

KALiNA Power Limited is a clean-tech company in the Industrial Waste Heat to Power ("WHP") sector, producing zero-emissions power from heat produced by energy-intensive industrial processes that may otherwise be wasted, as well as from the heat available in geothermal resources. The technology has been commercially deployed across a range of industrial settings and applications at 16 plants around the world. KPO owns the worldwide patents relating to the KALiNA Cycle® Technology and has one of the most substantial intellectual property portfolios in the sector.

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This announcement was approved and authorised for issue by the Board of Kalina Power Limited