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KALiNA Power Project Development Update

KALiNA Power Limited (“KALiNA” or the “Company”) (ASX: KPO) is pleased to provide an update on project development and the funding of its Alberta based ~200MW projects deploying natural gas-fired Combined Cycle Power Plants integrated with Carbon Capture and Sequestration (‘CC-CCS’) as well the Saddle Hills gas-fired Peaker project.

CC-CCS Projects:

A number of strategic and financial investors continue to conduct active diligence on the CC-CCS projects. Since PricewaterhouseCoopers Corporate Finance Inc. (“PwC”) and KDP went to market, considerable progress has been made by the KDP team and significant changes have occurred in the business and regulatory environment that have increased confidence and reduced risk, including:

- KDP’s two primary projects have advanced through the electrical interconnection process and are now in the final data assessment stage that concludes in August leading to formal contracting in September 2024.
- KDP is in advanced discussions with credit-worthy EPC partners (one of which was introduced by PwC and is very engaged and has introduced a major funding partner. This funding partner is conducting due diligence to consider funding the current pre-FEED (front end engineering and design) stage and the FEED stage work to secure equity investment rights at FID (Final Investment Decision).
- KDP has made significant progress in the process to secure framework agreements (MOU’s, LOI’s) with several, reputable and credit worthy tolling partners.
- The Canada Infrastructure Bank (“CIB”) FEED Accelerator Program is now established to provide up to 50% funding of FEED stage engineering work to reach FID with capital on attractive commercial terms and possible CIB financial participation in projects. After reviewing its projects with CIB in several meetings, KDP is confident that once the pre-FEED stage is complete and sufficient working capital is secured, KDP and its partners can meet the eligibility requirements of the FEED Accelerator Program.
- The federal Investment Tax Credit (“ITC”) legislation (bill C-59 2023) completed 2nd reading in Parliament on 18 March and is now in Committee stage. The 50% ITC (rebate) on carbon capture capex now has extra scope to include approximately 30% of the power island capex which was lobbied for by KDP and others.
- The Alberta government has reiterated strong support for the development of new, gas fired power plants in the province. To that end, Alberta is adding a 12% grant in addition to the federal 50% investment tax credit, which was lobbied for by KDP.

- The enhanced federal ITC, together with the new Alberta grant further improve the economics of the Projects resulting in an overall rebate of approximately 40% of the total capex on each project, representing nearly \$400 million in cost recovery.

To date, the PricewaterhouseCoopers Corporate Finance (“PwC”) team reports that the KDP portfolio has been generally well received by prospective investors with a select number of parties engaged in due diligence to consider an investment. While these negotiations continue, PwC also intends to re-approach the market to maintain a competitive process once certain negotiations with tollers have been documented with framework agreements. The updated marketing will reflect the progress made in de-risking the projects, the leverage from the CIB Accelerator Program, the improved financial returns and a line of sight on engagement with a credit-worthy EPC partner.

Saddle Hills Peaker Project:

As previously reported, plans for the Saddle Hills project are dependent on the final language in Canada’s Clean Electricity Regulations (“CER”). The most recent draft of the CER and public announcements include references that projects under 25MW will not be governed by the CER. This could mean that Saddle Hills could go forward as a 22MW gas-fired Peaker. The federal government have indicated they are continuing to consider public input with a view to finalize the CER by November 2024. There is growing pressure on the government to accelerate this process to finalize by this June. In the meantime, KDP has requested and received approval from the Alberta Utilities Commission to defer its plans for Saddle Hills until April 2025. Accordingly, KDP is deferring its final configuration and sizing of the Saddle Hills project pending formal definition and timing of the CER legislation.

Passing of Jeffry Myers:

It is with deep sorrow and sadness that we report the loss of Director Mr Jeffry Myers who passed away at home in Victoria, BC, Canada after a period of illness.

Jeff had worked with several members of our board and team over the past several decades and established himself as an industry leader in power project development having developed numerous successful projects around the world. He was a friend and colleague who left an indelible mark on our Company and across the industry. He will be missed by all.

Management Commentary

KALiNA’s Managing Director, Ross MacLachlan, commented: “We are deeply saddened with the loss of a great friend and mentor, while very grateful for the leadership and guidance that Jeff provided to establish KDP with a highly regarded presence in the Alberta market. We are now advancing our project development in negotiations with multiple parties to arrange development funding to bring our projects through the regulatory and engineering process. Successful outcomes that can be structured to be accretive for our shareholders is of paramount importance. Our team is working diligently to engage with multiple parties whose interests can be aligned with ours in developing successful projects.”

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This announcement was approved and authorised for release by: Ross MacLachlan, CEO.

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