

## Further Information and Retraction of Prospective Financial Forecasts

Kalina Power Limited (ASX:KPO) (“Kalina” or “the Company”) provides the following further information in regards the Alberta Distributed Generation program as set out Kalina’s announcement entitled ‘Kalina Presentation on Alberta Power Generation Opportunity’ released on the ASX at 08:17 AM AEST on 26 August 2019 (the “Announcement”).

The Company’s fully owned Canadian subsidiary Kalina Distributed Power (“KDP”) has undertaken a comprehensive body of work over the past 2 years from market analysis, process design, independent engineering, major equipment vendor selection, quotes and optimisation of specially designed 21MW combined cycle power plants to be deployed in multiple locations in Alberta. The plant equipment and configuration design utilizes the Company’s Kalina Cycle technology in a way that enables the distribution of small scale power plants in a market with strong and growing demand in regional markets.

Much of this information has been set out in our announcements to the ASX over the past 12 months together with updates on KDP’s progress in preparation to commence the project funding process as outlined in the Announcement. Within the information released to the market over this period and more specifically in the Announcement is the majority of the information related to the assumptions, verification and third party information that underpin the proposed projects being undertaken by the Company.

In response to a query from the ASX on the reasonable basis certain information has been included in the Announcement, the Company wishes to provide the following additional detail with regards to the Capex forecast of C\$62mm being used by the Company in its financial model.

The basis for the Capex Forecast are:

- Estimates provided by two separate and independent engineering, procurement, and construction (‘EPC’) companies. One from Phoenix Power Group an affiliate of a US\$5 billion market cap NYSE traded company, Quanta Services, and the second is a veteran local Western Canada engineering and construction management firm, ABC Engineering.
- This is further supported by third party vendor quotes for major pieces of equipment such as gas turbines, vapour turbines, heat exchangers and pumps.
- The Capex includes costs for electrical and gas interconnection supplied from utilities and industry specialist consultants.
- The Company has undertaken a benchmarking to known capex for other power projects in similar regional setting.

The material assumptions that underpin the Capex Forecast are:

- C\$18m for the major equipment;
- C\$28.5m for the construction and installation costs as estimated by qualified EPC firms;
- C\$8m for the electrical and gas interconnection and other project costs such as utility studies, permit preparation and filing, environmental studies, process insurance and spare parts;
- C\$5.2m contingency costs; and
- C\$2.3m for developer’s fees paid to KDP.

In assessing the reasonable basis for including the Capex Forecast in its Announcement the Company has relied on its highly experienced power project team that have done over 50GW in projects internationally, including in Alberta, and including having designed, specified, costed, procured and installed similar Kalina Cycle and conventional power plants and who have over 25 years of experience in managing this type of power project. Their biographies are outlined in the Announcement. As with most successful power project developers, KDP is outsourcing much of the work to experienced and reputable specialist industry and regulatory consultants, while relying on experienced engineering consultants to work with KDP's team in design reviews, contracting, and establishing the specifications to be followed by the selected EPC firm to build each project.

The comprehensive work-plan undertaken to date has included quotes and cost estimates from multiple vendors on all of the major equipment which represents over 50% of the total parts and equipment costs with the majority of the balance of the parts and equipment being standard, readily available items with costs well known and understood.

Two separate and independent engineering firms who have active and current knowledge of costings in comparable projects have provided cost estimates to cover the total Capex required to bring each project on line. Each have experience working projects in Western Canada and are familiar with labour rates and productivity as well as regulatory requirements to efficiently construct projects in the region. Given the level of third party engagement in the cost estimating, complimented with the wealth of experience the team has in developing power projects all confirm KPO's confidence to believe it has a reasonable basis to publish the Capex Forecast via the Announcement.

#### Retraction of Prospective Financial Forecasts

The Company further advises that the inclusion in the Announcement of the information on Slide 11 – *Multiple Income Streams for Combined Revenue* (the "Prospective Revenue Forecast") and Slide 15 - *Example Cash flow for Initial 5 Projects* (the Prospective Cash flow Forecast") are based on information sourced by the Company from EDC Associates. EDC Associates provide services to multiple end users included government agencies, utilities, and power generators. They are an Alberta focused forecasting and consulting firm that have been in business since the mid 1990's, and have a proven track record of reliable forecasting of long term energy prices in Alberta with an average error to actual of 4% for current to 10 years out.

However, due to the long term nature (20 years) of the Prospective Revenue Forecast and Prospective Cash Flow Forecast, the Company acknowledges this information does not have a "reasonable basis" consistent with the requirements of ASIC Regulatory Guide 170.

Investors should not rely on the Prospective Revenue Forecast or Prospective Cash Flow Forecasts as a basis for an investment decision concerning the Company.

#### **For further information, please contact:**

Ross MacLachlan  
Interim Chairman and CEO

Tim Horgan  
Executive Director

Ph: +61 3 9236 2800