

Monthly Update on KALiNA Energy Centre – Saddle Hills

- **Saddle Hills on track to achieve Full Notice to Proceed in Q4-2021**
- **Project Development work streams are on schedule with no material issues identified**

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") continues to complete project development milestones for its Saddle Hills project, which has a Crown lease with the Government of Alberta. The most recent schedule continues to target FNTF during Q4-2021.

Commercial Gas Supply Arrangements:

- Negotiations with selective counterparties for long-term gas to power tolling agreements have shown increased interest, despite the recent Alberta Utilities Commission ("AUC") decision to discontinue the Demand Transmission Service ("DTS") portion of the Distributed-Connected Generation ("DCG") credit mechanism. This is largely due to the increased volatility and price of power in the Alberta market. Power prices thus far in 2021 are CAD\$101/MWh in contrast to the CAD\$56/MWh that was previously forecasted.
- In addition, KDP continues to explore opportunities to secure ownership of low-cost gas reserves for its portfolio of power projects. If successful, this would provide the portfolio with a reliable and secure supply of gas at prices considerably below market, along with significant upside economics.

Engineering Procurement Fabrication& Construction:

On schedule with no material issues identified.

- Major equipment vendor selection is complete and formal contracting of definitive agreements are underway.
- Engineer, Procure, Fabrication and Construct "EPFC" contract:
 - Class 2 FEED detailed estimating and engineering work well advanced
 - Reviewing interim cost estimate to identify opportunities for cost savings

Permitting and Environmental:

On schedule with no material concerns identified.

- KDP has updated the plot plan and the technical filing of the noise and air emissions studies for its final Alberta Utilities Commission ("AUC") Rule 007 regulatory application.
- KDP expects to file its application in July. The AUC Rule 007 approval is the final major approval required to construct and operate the Saddle Hills facility.

Electrical Interconnection:

On schedule with no material concerns identified.

- ATCO and AESO are completing the Stage 2 studies for the Saddle Hills project
- Given the recent discontinuation of DTS credits, KDP has verified that ATCO can provide technical assessment of alternative interconnection configurations to maximize Supply Transmission Service ("STS") credits which remain available.

- Discussions are in progress with ATCO on the considerations involved to change to feeders with better STS rates than the feeders being contracted that had been selected to maximize DTS credits.

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.
 - Contractor selected and initiated site work to prepare geotechnical study and design.
 - Preparing for First Nation consultation and Alberta Energy Regulator (“AER”) crown lease and facility approvals.

Government Affairs:

- Government Funding Programs:
 - Resources in place to execute KDP’s program to secure ongoing engineering and specific project funding.
 - One application for grant funding submitted with other applications expected to be submitted shortly.
- Public Relations:
 - Counsel Public Affairs Inc., a leading public relations firm is actively engaged in advancing the key messaging on the Saddle Hills project and KDP’s overall strategic value to the province of Alberta.
 - Recently met with representative from Ministry of Natural Gas & Electricity to share key messages. Other appropriate government sector meetings being arranged.

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**

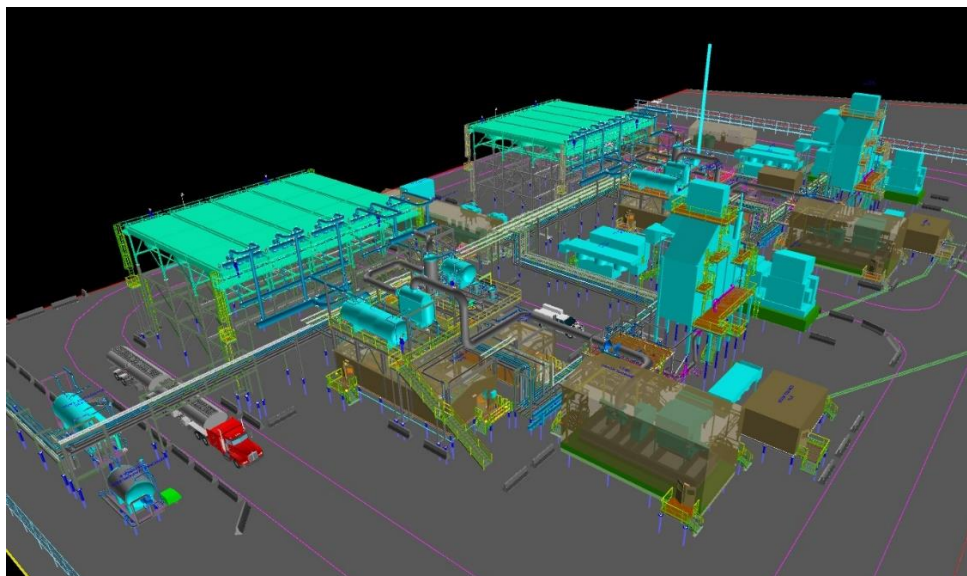
Kalina, along with a consortium with other distributed power developers and generators, has filed a Review and Variance application with the Alberta Utilities Commission (“AUC”) seeking a review of the AUC’s decision to eliminate DTS Credits. In addition, the consortium has filed an application for permission to appeal with the Alberta Court of Appeal, for what it believes was an unfair process and substantive errors in law made by the AUC in reaching its decision. The Alberta Court of Appeal has set 1 September 2021 to hear the permission to appeal. The AUC is expected to provide a timely response such that it can determine whether or not to grant the hearing of the Review and Variance application in Q3 2021.

Comment:

Managing Director Ross MacLachlan said: *“Our team continues to successfully complete the necessary project delivery milestones to achieve FNTF during the fourth quarter of this year. We are adapting to the AUC decision on DTS credits with commercial and contracting strategies which are possible given the adequate size and configuration of our projects along with the benefits of the Kalina Cycle. Together with a consortium of industry players, we are taking steps to appeal the AUC decision. The robustness of our portfolio of projects will certainly be enhanced with a re-instatement of DTS credits, as will be the entire sector of distribution connected generators in Alberta where the shortfall in*

generation is beginning to show from the shutdown of coal fired generation. A growing supply of distributed power generation is viewed as essential to a cost-effective and reliable power market in Alberta. Regardless, the appeals process is not distracting us from advancing Saddle Hills project forward and we continue to target FNTF in Q4-2021.”

The Company will continue to update shareholders on project progress on a monthly basis going forward 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.

For further information please contact:

Kalina Power Limited
Tim Horgan

Executive Director

thorgan@kalinapower.com

+61 3 9236 2800

+61 449279880

Ben Jarvis, Six Degrees Investor Relations: 0413 150 448

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