

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 ("FNTP"):

KPO's Canadian subsidiary, KALiNA Distributed Power Limited ("KDP") reports that is now nearing the final engineering, contracting and approvals process for its Saddle Hills project and continues to target FNTP during Q4-2021. A narrated video of the engineering 'walk-through' of the KALiNA Energy Centre is available at <https://youtu.be/ybbq8huPICg>

Commercial Gas Supply Arrangements:

- Long-term gas to power tolling continues to represent opportunities for gas producers seeking diversification with a portion of their production. While gas prices continue to strengthen, power prices in Alberta have shown an even greater increase as illustrated in the chart below.
- Exposure to a power index through tolling represents an implied gas netback premium to gas producers relative to market prices of natural gas. KDP is in detailed discussions with producers and has made requests for expressions of interest for the volumes needed for the Saddle Hills Energy Centre, such that definitive tolling agreements can be finalized for FNTP.
- As reported, KDP is also taking steps to secure ownership of gas reserves for its portfolio of power projects to secure a reliable supply of gas at prices below market. A formal process is underway in identifying optimal reserves and selective negotiations have commenced.



• Source: Bloomberg, AESO, NGX, Gas Alberta, RBC Capital

Engineering Procurement Fabrication & Construction:

On schedule with costs and construction phase timeline being addressed.

- Contracting of definitive agreements with all major equipment vendors continues and is well advanced.
- A thorough review and analysis continues with Enerflex on 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 been provided most of the information needed to complete their review and continue their collaboration with Enerflex to identify areas of improvement for both costs and schedule.

Permitting and Environmental:

On schedule with no material concerns identified.

- As previously reported, KDP filed its Alberta Utilities Commission (“AUC”) Rule 007 regulatory application. KDP has subsequently responded to a first round of information requests from the AUC and are awaiting any further information requests the Commission may have.
- In support of the AUC application, KDP confirms that it has filed its Environmental Protection and Enhancement Act application with Alberta Environment and Parks (“AEP”) and is in the process of responding to their initial information requests.
- Kalina is also in the process of securing crown lands for the natural gas supply line to the Saddle Hills facility and conducting First Nation and Metis Nation site visits throughout September. Environmental assessment work has also been completed for the natural gas supply line route. The pipeline will run parallel to existing rights of way. No significant environmental concerns have been identified.

Electrical Interconnection:

No material concerns identified.

- As previously reported, KDP is taking steps to properly manage the timing of contractual commitments and the overall coordination of schedules to FNTF. Accordingly, KDP has advised ATCO and AESO to temporarily put the process on hold while the balance of the other 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.
 - The selected EPCM Engineering have completed preliminary design work. The permit application is in process.

Government Funding:

- Continuing to engage with various Government funding agencies 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**

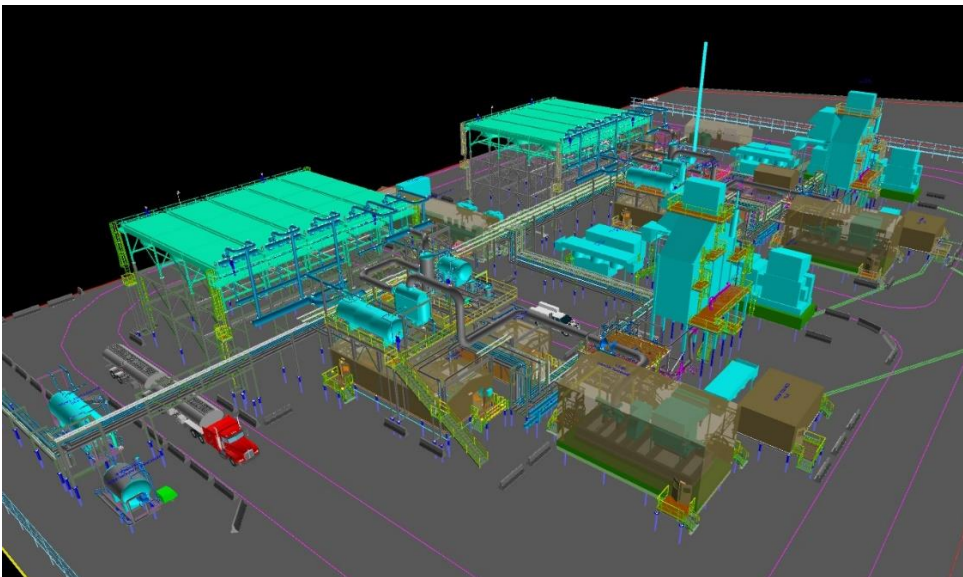
As previously reported Kalina, and a consortium of other distributed power developers and generators (“the consortium”) has filed a Stage 1, Review and Variance application with the Alberta Utilities Commission (“AUC”) seeking a review of the AUC’s decision that eliminated the DTS Credits. A decision on whether or not the Commission will grant a review of its decision has not yet been determined. A decision regarding the Stage 1 application continues to be expected shortly.

In addition, the Alberta Court of Appeals has scheduled 4 November 2021 to hear the “applications to appeal” of both the KDP consortium and that separately filed by WCSB Power.

Comment:

Managing Director Ross MacLachlan said: *“A big focus for our team this month has been securing gas supply agreements for Saddle Hills and assessing opportunities to acquire our own gas reserves. We are confident of locking in a solution which is key to achieving FNTF in Q4. As recently reported, our team is actively engaged with a number of other commercial opportunities to deploy our technology resulting from the profile we are getting on our Saddle Hills project. We are very encouraged by our progress on Saddle Hills and the traction we are seeing in the Alberta market”.*

The Company will continue to provide the monthly project update and separately report any other material developments in due course. In this regard, the Company intends to provide updates on several of the other commercial opportunities referenced in the recent Corporate 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 over 300 MW 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