

## Monthly Update on KALiNA Energy Centre – Saddle Hills

**Waste Heat to Power ("WHP") technology leader, KALiNA Power Limited ("KALiNA" or the "Company") (ASX: KPO)** is pleased to provide this regular 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. KPO's Canadian subsidiary, KALiNA Distributed Power Limited ("KDP") continues to complete key project development milestones to advance Saddle Hills to Full Notice to Proceed (FNTP) in Q4-2021.

### **Crown Lease secured:**

KALiNA Energy Centre – Saddle Hills: KDP has secured a Crown Lease with the Government of Alberta for its Primary Site.

### **Commercial Gas Supply Arrangements:**

Negotiations continue with multiple counterparties for long-term gas to power tolling agreements. KDP has also recently engaged in negotiations to secure lower cost gas that can reduce gas pricing volatility through a direct supply program.

### **Engineering Procurement Fabrication & Construction:**

- Turnkey, fixed price contracting underway with no material issues identified.
- Gas turbine:
  - Constructability Review completed with no material issues identified.
  - Formal definitive agreements underway with no material issues identified.
- Kalina Cycle® module and balance of plant:
  - Hazard & Operability Analysis: ("HAZOP") - no material issues identified.
  - Preferred vendors on major equipment selected after competitive bidding.

### **Permitting and Environmental:**

- Modest delay with no material issues identified.
- Based on the final vendor selection of certain major equipment, KDP is required to update modifications to the plot plan and the filing of technical noise and air emissions studies for its final Alberta Utilities Commission ("AUC") Rule 007 regulatory application. The filing was anticipated by middle of June and is now expected in July.
- KDP has also notified appropriate stakeholders regarding the project status in accordance with the AUC's Rule 007. No issues have been raised during the notice period.
- The AUC Rule 007 approval is the final major approval required to construct and operate the facility.

### **Electrical Interconnection:**

- On schedule, no material concerns identified
- ATCO and AESO are completing studies for Saddle Hills in order to provide final cost estimates to contract for interconnection.

### **Gas interconnection:**

- On schedule, no material concerns identified.
- Awarded engineering contract for 2.5 km gas line to the main trunk line.
- Initiated preliminary site work as part of the Crown Lease requirements.
- Completed initial environmental review of gas transportation pipeline route

- Preparing to undertake Indigenous consultation to secure the Crown Lease and facility approvals required for the gas line connection to the main trunkline.

### **Regulatory Decision:**

The Alberta Utilities Commission (“AUC”) has 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. For projects generating power for local load demand such as Saddle Hills, the DTS credits represent a greater proportion of total revenue than did STS credits.

KDP is adjusting its proposed contracting strategies to reflect the AUC’s new pricing signals. Until now, the credit mechanism encouraged generators such as KDP to locate in areas of the grid with heavily loaded distribution wires, with little to no local electrical generation and to operate at or near baseload levels to maximize DTS credits. This included running when prices were low in order to maximize DTS credit revenue. Given the sufficiently large scale of the Saddle Hills project, the competitive emissions intensity, and the competitive heat rate, KDP is able to adapt to the AUC’s new market signals accordingly.

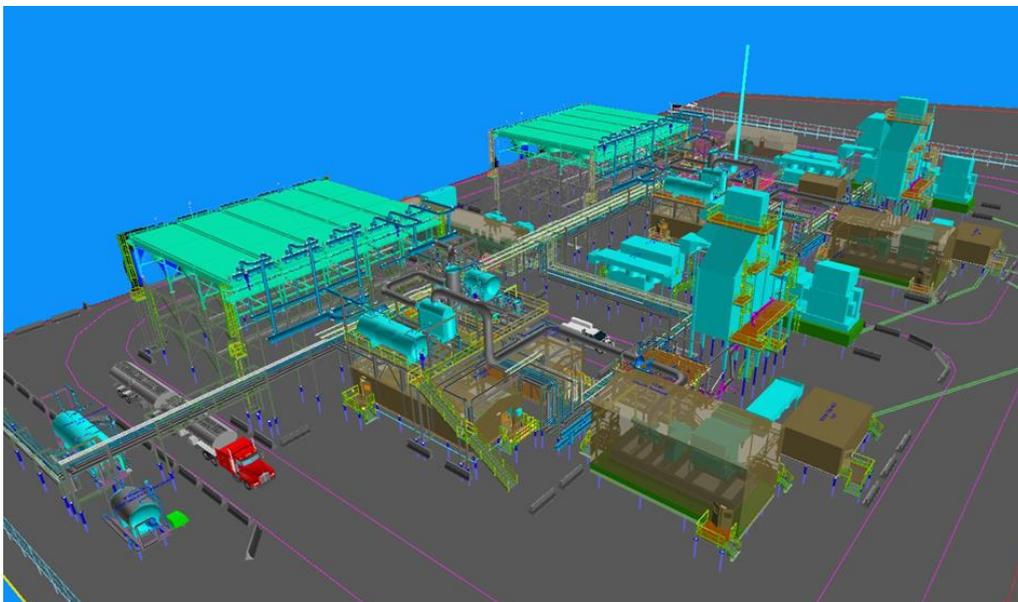
The Saddle Hills project can operate without DTS revenues by employing economic dispatch to generate power only when power prices are adequate. In comparing the two dispatch contracting strategies, economic dispatch does not fully recover lost DTS credit revenue, however, KDP intends to make up the shortfall from “grid ancillary services revenue” that would not be available were the project to operate at or near baseload capacity.

### **Schedule for Full Notice To Proceed (“FNTP”):**

KDP continues to update its schedule with vendor and stakeholder timelines, as well as the impact on project economics from both commercial and regulatory decisions. The most recent schedule has been refined and continues to target FNTP during Q4-2021. The Company will continue to update shareholders on project progress on a monthly basis going forward.

### **Comment:**

**Managing Director Ross MacLachlan said:** *“Our team continues to advance multiple project development work streams and we are pleased with the progress being made. Our primary focus remains the near term 64 MW project at Saddle Hills which may be replicated at a number of sites that the Company is targeting. The recent decision by the AUC is expected to result in a transition to an economic dispatch model rather than one delivering baseload power. The Company will provide further updates on this transition in the coming weeks.”*



**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