

KALiNA Acquires Site for First Project in Alberta

KALiNA Power Limited (ASX: KPO) (“**KPO**”) has achieved an important milestone in support of its clean energy distributed power generation program in Alberta, Canada. KPO’s fully-owned Canadian subsidiary, KALiNA Distributed Power Limited (“**KDP**”) has secured site control for its first 22 MW KALiNA Combined Cycle project in Alberta.

KDP has executed a contract to acquire a freehold site situated in an industrial park in Alberta (or “**Alberta 1**”). The purchase price of approximately CAD\$500,000 provides for a closing date of 1st of September 2019. The acquisition of Alberta 1 enables KDP to move forward on permitting verifications, power contracting, site specific engineering, and local confirmatory due diligence. Most importantly, the acquisition of Alberta 1 is a major first step in fulfilling the KDP strategy of building, owning, and operating clean energy assets to provide future recurring revenue and income.

A map of Alberta and the approximate location of the site is shown below, along with a list of the site’s key investment highlights:

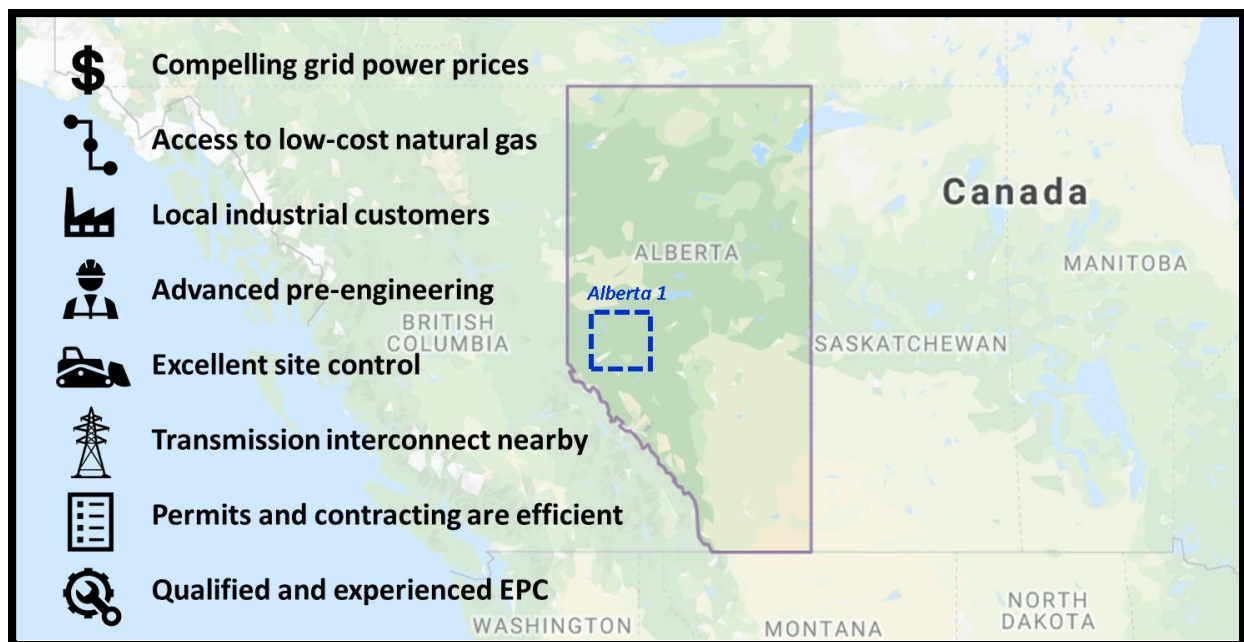


Figure 1: Acquired Site Location and Key Investment Highlights

As previously announced, KPO recently appointed a leading US-based corporate advisory firm, EAS Advisors, with a mandate to provide capital market services to access project financing for KDP’s pipeline of projects, in addition to other corporate financial advisory services. Alberta 1 provides the initial project location and commercial opportunity for project-level financing. KPO continues to make significant progress and will update the market at the appropriate time.

KDP's Distributed Power Program

KDP has identified an addressable market in Alberta to develop an initial portfolio of 10 projects representing 220 MW of power generation (22 MW per plant), utilizing a KALiNA Combined Cycle configuration of a 15.5 MW gas-fired turbine combined with a 6.5 MW KALiNA Cycle® power island. This configuration provides for significant performance advantages by generating 40% additional power using the gas turbine waste heat. KDP has currently prioritized the development of 4 initial sites, representing over CAD\$200 million of CAPEX of Combined Cycle projects utilizing the KALiNA Cycle® technology, with Alberta 1 as the first of the four initial sites.

The Alberta energy market represents a unique opportunity for KALiNA to rapidly develop projects with attractive returns:

- KDP team in Canada has a highly successful track record in power project development and execution.
- Alberta is facing legislated closure of over 5,000 MW of coal fired power stations.
- Zero-emission KALiNA Cycle® Technology provides significant increases in efficiency to gas powered electricity production. Significant benefit to Alberta's transition from coal to gas and renewables.
- Industrial activity in Alberta has led to a significant increase in the supply of natural gas looking for new markets and pricing support.
- Incentives for regional power generation to avoid power losses associated with transmission losses from generators located long distance from growing industrial demand.
- Exclusive engineering, procurement, and construction (EPC) agreement for up to six KALiNA Combined Cycle power plants with Phoenix Power Group, a division of Quanta Services (NYSE: PWR).

The capital cost of each 22 MW KALiNA Combined Cycle configuration is approximately CAD\$53 million. The projected plant economics provide sufficient returns for project finance investors and a free carried interest for KALiNA. These project returns include the amounts to be paid to KPO for its engineering and IP license fees.

The Company continues to work towards its goal of commencement of construction in 2020 and generating electricity by mid-2021. It is anticipated that the other initial 2-3 project sites will commence construction either alongside Alberta 1 or be staggered shortly thereafter.

The initial projects are intended to be funded with project-level financing that will not require significant dilutive equity funding from KPO. From earlier meetings with various capital providers, it is understood that the project economics generate returns sufficient to meet investor hurdle rates and generate a free carried equity interest for KPO. This free carried equity interest along with ongoing licensing fees are expected to provide KPO with over CAD\$2 million per annum per project. The ongoing cumulative effect of each successive project will have a meaningful positive impact on KPO's balance sheet. KPO's distributed power program represents a transformational move forward as the Company begins to deploy its KALiNA Cycle® units in the Company's own projects.

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