

# Monthly Update on KALiNA Energy Centre – Saddle Hills

## Saddle Hills continues on track to achieve Full Notice to Proceed this quarter

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 it is now nearing the final engineering, contracting and approvals process for its Saddle Hills project and continues to target FNTP this quarter. A narrated video of the engineering 'walk-through" of the KALINA Energy Centre is available at <u>https://youtu.be/ybbq8huPlCg.</u>

#### Commercial Gas Supply Arrangements:

- Long-term gas-to-power tolling continues to present opportunities for gas producers seeking diversification with a portion of their production. Exposure to the Alberta power price through tolling represents an implied gas netback premium to gas producers relative to market prices of natural gas.
- Power prices in Alberta have averaged over \$100/MWh to the end of September, providing superior netbacks for producers than other available channels.
- 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.
- Alberta's strong power market has also increased interest in the potential to construct the Project as a merchant facility and to opportunistically hedge volumes over the life of the Project. Discussions with investors and lenders continue on this front.
- As reported, KDP is also taking steps to secure ownership of gas reserves for its portfolio of power projects to lock in a reliable supply of gas at prices below market. This strategy provides significant commodity risk mitigation when coupled with merchant generation.

#### **Engineering Procurement Fabrication & Construction (EPFC):**

- Contracting of definitive agreements with major equipment vendors continue and is well advanced.
- The review and analysis of the Class 2 FEED detailed estimating and engineering report is nearly complete:
  - o Opportunities identified to improve equipment delivery and construction schedule
  - $\circ$   $\;$   $\;$  Process underway to consider updating costs for equipment and construction  $\;$
  - Expecting to finalize and complete the Class 2 FEED estimate over next month
  - Review of the draft EPFC contract is now in progress

#### Permitting and Environmental:

- KDP recently announced that it received its AUC Permit & License for the Project, which is a significant milestone toward the planned FNTP this quarter.
- The Environmental Protection and Enhancement Act approval with Alberta Environment and Parks ("AEP") is underway. KDP has responded to initial information requests and expects the approval to be provided shortly.

- KDP is also in the process of securing crown lands for the natural gas supply line to the Saddle Hills facility.
  - The pipeline will run parallel to existing rights of way.
  - $\circ$   $\,$  Completed its consultations with the First Nation and the Metis Nation.
  - Environmental assessment work has also been completed
  - $\circ$   $\;$  No significant environmental concerns have been identified.

### **Electrical Interconnection:**

• As previously reported, KDP is taking steps to properly manage the timing of contractual commitments and the overall coordination of schedules to FNTP. As such, KDP had previously advised ATCO and AESO to temporarily put the process on hold while the balance of the other project deliverables for FNTP are completed. KDP will re-activate the process at the appropriate time.

## Gas interconnection:

- Continuing work on the 2.5 km gas pipeline connecting the project to the NGTL main line.
  - The selected EPCM Engineering has completed preliminary design work. The permit application is in process.

## **Regulatory:**

## Appeals Process

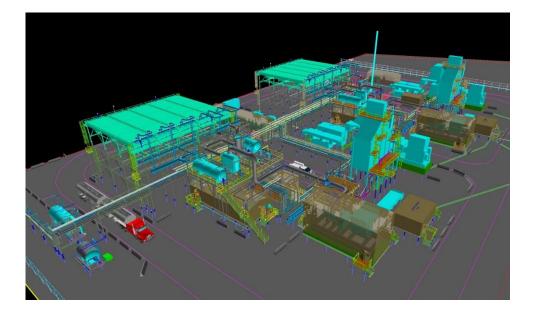
As previously reported, Kalina and a consortium of other distributed power developers and generators ("the consortium") had filed a Stage 1, Review and Variance application with the AUC seeking a review of its decision to eliminate the DTS Credits. The AUC recently issued its decision to deny both the consortium's application and the application of a separate group of Alberta renewable power producers for a review and variance. The consortium is reviewing the decision and contemplating its next steps.

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:** "This is an exciting time for KALINA as we bring together the remaining deliverables to achieve FNTP. The AUC Permit and License is a significant milestone, and we expect to obtain the remaining facility and gas pipeline approvals prior to FNTP. Discussions are underway with various lenders and we are encouraged by the interest and level of engagement. We continue to focus on advancing the Project to FNTP and securing an appropriate level of price hedging and contracting strategies to make this first project a success."

The Company will continue to provide the monthly project update and separately report any other material developments in due course.



#### 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<sup>®</sup> 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