

31 January 2022

ACTIVITIES REPORT FOR THE QUARTER ENDING 31 DECEMBER 2021

Waste Heat to Power (“WHP”) technology leader, KALiNA Power Limited (“KALiNA” or the “Company”) (ASX: KPO) is pleased to provide its Quarterly Activities Report and Appendix 4C for the period ended 31 December 2021 (the ‘quarter’).

The primary focus of activities during the quarter was the ongoing development of the Company’s Flagship 64MW Primary Site, the KALiNA Energy Centre – Saddle Hills (“Saddle Hills”), located in Alberta, Canada. The Company’s Canadian subsidiary, KALiNA Distributed Power Limited (“KDP”) continued its engineering, contracting and regulatory approvals to position the project to achieve Full Notice to Proceed (“FNTP”).

Development milestones to advance Saddle Hills during the quarter included:

- Class 2 FEED, detailed estimating and engineering report completed by Enerflex.
- Detailed reviews of Enerflex FEED report conducted by KDP and its Owner’s Engineer, Power Engineering have continued into January.
- Reviews of Enerflex proposal for Engineering Procurement Fabrication & Construction (“EPFC”) to establish terms suitable for project funding have continued into January.
- Contracting and confirming terms for definitive agreements with major equipment vendors has continued into January.
- Managing the timing of contractual commitments with ATCO and the AESO in order to re-activate the process pending completion of the key remaining deliverables for FNTP.
- Contracted the EPC engineering design work on 2.5km gas supply pipeline connecting the project to the main NGTL line.
- Progressed to secure crown lands for the natural gas supply pipeline with no significant concerns identified.
- Engagement with producers to consider terms of tolling gas supply to power and is ongoing with a select number of firms.
- Engaged with various producers to consider securing gas reserves for KDP’s portfolio of power projects to lock in a reliable supply of gas at below market prices.
- Approval received from the Alberta Utilities Commission (“AUC”) granting authorisation to construct and operate the Saddle Hills power plant.
- Provided Alberta Environment and Parks (“AEP”) with additional information required in their process to authorize environmental approval. Additional requests for specifications directly from the gas turbine vendor have subsequently been provided in January.
- Reviewed project finance options with several debt providers and received indications of interest while also engaging two separate agents to arrange project funding. Engagement has continued throughout January.

Financial summary

KALiNA raised \$9.940m (\$9.266m after costs) through an oversubscribed placement supported by a range of new institutional and sophisticated investors. The funds were raised through the issue of 368,148,153m new fully paid shares at an issue price of \$0.027 per new share. The placement was completed in two tranches:

1. 266,222,223 ordinary shares (A\$7,188,000) were placed under the Company's existing placement capacity under ASX Listing Rule 7.1 on 26 October 2021
2. 101,925,930 shares (\$2,752,000) were issued subsequent to shareholder approval at the Company's annual general meeting which was held on 10 December 2021.

Funds will be used to advance Saddle Hills through to FNTP, as well as the engineering and modularization necessary in preparation to bid the KALiNA Cycle® on various geothermal projects and industrial Waste Heat to Power opportunities that include gas pipeline compression and oil sands extraction efficiencies.

The placement further strengthened the Company's cash position, with KALiNA ending the quarter with a cash balance of \$7.683m. Cash out flow from the Group's operating activities for the quarter amounted to \$1.809m, which included: \$0.944m for project development in Alberta, \$0.150m for general technology enquiries, \$0.086m for patent maintenance, \$0.117m for investor relations & project finance, \$0.534m for corporate staff and overheads. The total operating outflow included an amount of \$0.487m on account of arrears of creditors including deferred salaries as below.

Payments to related parties

During the quarter directors were paid \$0.336m for services rendered under normal commercial terms. Included in this payment \$0.137m related to deferred salaries. Apart from this there were no other related party transactions during the quarter.

Management Commentary

Managing Director Ross McLachlan said: *"The progress we made this recent quarter was important to position our Saddle Hills project with the majority of our project deliverables in place to achieve FNTP. With the project essentially now shovel-ready, we are continuing our efforts to ensure that the terms of the EPFC contract are suitable for project funding and represent value for our company. To that end, we are considering various contracting strategies with our supply chain partners and Enerflex to achieve the right balance of price, risk and schedule that can work for all parties. We look forward to reporting on our progress in due course on Saddle Hills, other projects and our other corporate initiatives as we enter what will be an exciting year for our Company."*

- ENDS -

This announcement was approved and authorised for release by: Ross MacLachlan, CEO
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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

KALINA POWER LIMITED

ABN

24 000 090 997

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8	15
1.2 Payments for		
(a) engineering and Alberta project development	(789)	(1,465)
(b) staff costs related to Alberta project development	(155)	(219)
(c) non-Alberta project development and international technology support	(150)	(186)
(d) Patent maintenance	(86)	(218)
(e) leased assets	(4)	(23)
(f) Corporate staff costs	(296)	(406)
(g) Investor relations and project finance	(117)	(158)
(h) administration and corporate costs	(238)	(305)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	3	277
1.9 Net cash from / (used in) operating activities	(1,809)	(2,673)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(3)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 6 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	9,940	9,940
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(674)	(674)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	9,266	9,266

Consolidated statement of cash flows		Current quarter \$A'000	Year to date 6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	229	1,093
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,809)	(2,673)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,266	9,266
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,683	7,683

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,683	229
5.2 Call deposits	6,000	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,683	229

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1 **	336
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

** Fees paid to directors under normal commercial terms

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (placing facility with Long State Investments Ltd)	8,000	-
7.4 Total financing facilities	8,000	-
7.5 Unused financing facilities available at quarter end		8,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,824)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,683
8.3 Unused finance facilities available at quarter end (item 7.5)	8,000
8.4 Total available funding (item 8.2 + item 8.3)	15,683
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.6
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: n/a	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022.....

Authorised for release by: Ross MacLachlan CEO
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Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.