

30 July 2021

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDING 30 JUNE 2021

Waste Heat to Power (“WHP”) technology leader, KALiNA Power Limited (“KALiNA” or the “Company”) (ASX: KPO) is pleased to provide this Quarterly Activities Report and Appendix 4C for the period ended 30 June 2021 with work focussing primarily on development of the Company’s Flagship 64MW Primary Site, the KALiNA Energy Centre – Saddle Hills (“Saddle Hills”), located in Alberta, Canada.

KPO’s Canadian subsidiary, KALiNA Distributed Power Limited (“KDP”) has recently completed several development milestones to advance Saddle Hills to Full Notice to Proceed (FNTP) in Q4-2021. These include:

- **Crown Lease secured:** As recently reported, achieving formal site control for Saddle Hills with the receipt of a Crown Lease from the Government of Alberta.
- **Commercial Gas Supply Negotiations:**
 - Negotiations with select counterparties for long-term gas to power tolling agreements advanced favourably in the quarter.
 - In addition, KDP progressed opportunities to secure ownership of low-cost gas reserves for its portfolio of power projects. If successful, this would provide the portfolio with a reliable and secure supply of gas at prices considerably below market, along with significant upside economics.
- **EPC progress:** Engineering and procurement activities also progressed with KDP:
 - Completed a Constructability Review for the gas turbine with no material issues identified.
 - Advancing formal definitive agreements underway with no material issues identified.
 - Completing a Hazard & Operability Analysis (“HAZOP”) of the Kalina Cycle® module and balance of plant. The HAZOP is a rigorous and systematic technique used to assess potential hazards and operability problems associated with the design. No material issues were identified during the review.
 - Completed major equipment vendor selection and formal contracting of definitive agreements commenced.
- **Permitting and Environmental:**

Based on the final vendor selection of certain major equipment, KDP has updated 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 application is to be filed in late July.

- **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.

North American Legislative framework for Industrial Waste Heat to Power (WHP) and Geothermal Projects

Several important government initiatives and funding programs are now in place, with more programs recently announced to facilitate a major uptake of clean energy projects and technologies to reduce industrial emissions specifically in Alberta as well as more broadly throughout Canada and the USA. Included are initiatives for Waste Heat to Power (WHP) and Geothermal Power, for which the KALiNA Cycle® has established a strong value proposition. These programs will enable companies such as KALiNA to bring projects online on a more aggressive timetable than would otherwise be the case by not only reducing the cost of capital for new projects but also by pricing the cost of carbon such that emission reductions are suitably rewarded.

Common amongst all these policies and legislation is the goal of accelerating the deployment of technologies that can reduce emissions and the carbon footprint of industry. Technologies such as industrial Waste Heat to Power (WHP) and Geothermal Power are expected to play an important role. The KALiNA Cycle® technology is well positioned to be a significant contributor in achieving the targets for reduced emissions in markets where it is deployed.

KDP is applying for a number of government funding opportunities ideally suited for the ongoing commercialization of various applications of the KALiNA Cycle®. The Company is also engaging with various other corporate partners to investigate grant funding programs and initiatives that are available for its Primary 64MW site and its distributed power generation program. Grants that reduce the overall capex will not only further improve financial returns but accelerate the strategic deployment of the Company's projects.

Regulatory Decision:

As reported in the quarter, the Alberta Utilities Commission ("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. As advised, 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.

During the quarter, Kalina and a consortium of other distributed power developers and generators, filed a Review and Variance application with the Alberta Utilities Commission ("AUC") seeking a review of the AUC's decision to eliminate DTS Credits. In addition, the consortium has filed an application for permission to appeal with the Alberta Court of Appeal, for what it believes was an unfair process and substantive errors in law made by the AUC in reaching its decision. The Alberta Court of Appeal has set

1 September 2021 to hear the permission to appeal. The AUC is expected to provide a timely response such that it can determine whether or not to grant the hearing of the Review and Variance application in Q3 2021.

Financials

Cash out flow from the Group's operating activities for the quarter amounted to \$1.574m. Of this \$0.910m was for Alberta project development, non-Alberta project development was \$0.160m, Investor Relations was \$0.069m and patent maintenance of the KALiNA intellectual property portfolio was \$0.106m. As reported, the Company had a cash position at quarter end of \$1.09m and an equity facility in place for up to \$8m, which if utilized provides sufficient funding beyond the next two quarters.

In meeting its requirements to fund the Company's initial project to FNTP as well as its other business development activities the Company will consider if required, various funding arrangements with input from major corporate stakeholders and strategic investors.

Payments to related parties

During the quarter directors were paid \$217,000 for services rendered under normal commercial terms. Apart from this there were no other related party transactions during the quarter.

Management Commentary

Managing Director Ross McLachlan said: *"During the quarter our team continued to advance multiple project development work streams and we are pleased with the progress made. Our primary focus remains advancing our flagship 64MW Saddle Hills project which is now our blue print for broader roll-out across additional sites that the Company is actively targeting.*

"It is also pleasing to note that KALiNA's sector continues to experience very strong support as demand for clean energy grows; driven by industry and governments alike, seeking to lower emissions. Investors are placing much more focus on companies with solid ESG credentials and KALiNA is exceptionally well-positioned to benefit from this trend."

- 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")

30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6	55
1.2 Payments for		
(a) engineering and Alberta project development	(816)	(3,448)
(b) staff costs related to Alberta project development	(94)	(551)
(c) non-Alberta project development	(160)	(283)
(d) Patent maintenance	(106)	(656)
(e) leased assets	-	-
(f) corporate staff costs	(254)	(769)
(g) Investor relations and project finance	(69)	(296)
(h) administration and corporate costs	(83)	(589)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	1	150
1.9 Net cash from / (used in) operating activities	(1,574)	(6,389)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(12)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12.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	-	10
(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 Security deposit (provide details if material)	(2)	(17)
2.6 Net cash from / (used in) investing activities	(8)	(19)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,642
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	32
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(613)
3.5 Proceeds from borrowings	-	500
3.6 Repayment of borrowings	-	(500)
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		7,061

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,675	440
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,574)	(6,389)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(19)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,061
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,093	1,093

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,094	2,675
5.2	Call deposits	-	-
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)	1,094	2,675

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	217
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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

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.</i>		
<i>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 (please specify)	8,000	nil
7.4 Total financing facilities	8,000	nil
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)	(1,574)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,093
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)	9,093
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
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	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 30 July 2021

Authorised by: Ross MacLachlan, CEO
(Name of body or officer authorising release – see note 4)

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.