

ASX ANNOUNCEMENT
30 January 2023

ACTIVITIES REPORT FOR THE QUARTER ENDING 31 DECEMBER 2022

KALiNA Power Limited (“KALiNA” or the “Company”) (ASX: KPO) is pleased to provide this Quarterly Activities Report and Appendix 4C for the period ended 31 December 2022 (the ‘quarter’).

During the quarter, KALiNA continued to make solid progress in keeping with its stated goal to *“establish a profitable project development business in Alberta that serves as a commercial platform with which to deploy the KALiNA Cycle® to international markets.”*

Lawmakers in Canada and internationally continued with positive legislative and regulatory frameworks to accelerate the Clean Energy Transition. These frameworks are universally positive for the adoption of the KALiNA Cycle® technology across a range of sectors. In addition, the Company’s wholly owned Canadian subsidiary KALiNA Distributed Power (“KDP”) is actively developing important clean energy power projects which are directly aligned with these recent developments.

Chief Executive Officer Ross MacLachlan said: *“This is an exciting stage of development for KDP and we are encouraged with our progress in the December quarter and the scope of project opportunities, which now includes development of large-scale Combined Cycle Power Plants using Carbon Capture and Sequestration (‘CC-CCUS’). KDP is at the forefront of a major environmental transition with the adoption of carbon capture technology enabling gas fired power generation with effectively net zero emissions. CC-CCUS is now a central theme of the Energy Transition in both the United States and Canada. In anticipation of this, we began 18 months ago exploring the implications this had for the Alberta power market. As the new frameworks have become more certain we now find ourselves among the early entrants to the CC-CCUS sector in Alberta. Through an extensive site selection process, we have targeted a number of unique locations with viable access to gas pipelines, electrical interconnection and carbon sequestration. KDP has made considerable progress during quarter in completing site selection for our initial CC-CCUS projects. We are very encouraged with the serious level of engagement with major vendors and with the positive feedback received from large gas producers on our tolling economics.*

Saddle Hills remains one of our top priorities given it is the most advanced and shovel ready. We will continue to investigate the use of carbon capture for the project and are considering several paths forward to advance the project in keeping with the pending legislative and regulatory framework as they become more certain for projects of this type.

KALiNA’s Board is confident of the near-term opportunities to create considerable value and is assessing funding options for KDP that will be the most accretive and least dilutive for KPO shareholders.”

ACTIVITIES DURING THE QUARTER

Saddle Hills Project Development:

KDP's most advanced project is fully permitted to construct & operate up to 64MW that includes two combined cycle power plants each configured with a 22MW Siemens gas turbine and a 10MW KALiNA Cycle that uses a Baker Hughes vapour turbine.

- Explored options for gas supply and contracting access to the TC Energy main gas pipeline.
- Considered implications of new regulations and modeled outcomes of different configurations.
- Finalising contracts for Siemens gas turbine and awaiting confirmation of delivery schedule.
- Assembled technical data to amend permits to also operate in a 'Peaker' configuration.
- Reactivated discussions for debt and equity for either one or two Siemens 22 MW Peakers.

CC-CCUS Project Development:

KDP is developing Large Scale Combined Cycle Power Plants with CO² Capture & Sequestration ('CC-CCUS') to capture~95% of the CO² generated and sequester in approved reservoirs.

- ~200MW projects. Each with a capex of CAD~\$700 million.
- ~450MW projects. Each with a capex of CAD~\$1.3 billion.
- Development costs per project ~CAD\$25 million.
 - Includes feasibility study, detailed engineering, permitting & deposits at each site.
 - Engaging with partners to participate in funding development costs.
 - Project development is dependent on the level of funding from partners.
- Competitive bidding in place to select vendors for the power plant & carbon capture unit.
 - ~450MW configuration completed / ~200MW configuration in progress.
 - Commercial contracting with successful vendors anticipated during Q1 2023.
- Ongoing site evaluations and negotiations for the first site well-advanced in the quarter.
- Gas supply, electrical interconnection and CO² sequestration further developed in the quarter.
- Initial priority sites are targeting in service dates of 2027-2028.
- Gas tolling provides attractive project economics & required to reduce risk for project finance.
- Positive engagement in the quarter with large gas producers on tolling structure and economics
- Financial model reflects new regulations, commercial contracting and range of configurations.
- Initiated preliminary reviews with project debt and equity funders.

Kalina Cycle Technology Development:

KALiNA Cycle Technology has been commercially deployed in a range of applications and the Company has one of the most substantial intellectual property portfolios in the sector. The team is focussed on completing engineered solutions for priority applications of the KALiNA Cycle® that can be marketed globally by establishing a network of supply chain and strategic partners. Applications are being prioritized in light of both competitive markets and new regulatory and policy drivers.

- Continued development of enhanced Kalina Cycle designs for low temperature applications:
 - Klamath Hills Geothermal project.
 - Ocean Thermal Energy Conversion ('OTEC') projects in Kenya and Hawaii.
 - KALiNA Carnot Battery (long term thermal energy storage).
- Heat and material balance software continued to be updated with important enhancements.
- Initiated process to select a preferred Heat Exchanger vendor that meets KALiNA specifications.

KALiNA's MOU with global energy technology company Baker Hughes lays out a framework to develop a range of KALiNA Cycle® designs using Baker Hughes as key preferred vendor.

- Work with Baker Hughes continued in the quarter under the MOU in place:
 - Completed metallurgical studies on the Saddle Hills high temperature application.
 - Finalising specifications for a marketable high temperature KALiNA cycle package.
 - Activated discussions for new KALiNA Cycle® applications referenced in the MOU.

Financials

KALiNA held \$2,919,000 in cash and term deposit at the end of the quarter. Cash out flow from the Group's operating activities for the quarter amounted to \$1,310,000. Of this, \$520,000 was for Alberta project development, non-Alberta project development was \$248,000, corporate staff, investor relations and project finance totaled \$299,000 and patent maintenance of the KALiNA intellectual property portfolio \$24,000.

Payments to related parties

During the quarter directors were paid \$210,000 for services rendered under normal commercial terms. Apart from this there were no other related party transactions during the quarter.

- ENDS -

This announcement was authorised by the board.

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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 2022

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	9	12
1.2 Payments for		
(a) engineering and Alberta project development	(430)	(861)
(b) corporate staff costs related to Alberta project development	(90)	(171)
(c) non-Alberta project development and international technology support	(248)	(395)
(d) patent maintenance	(24)	(78)
(e) project finance	(70)	(142)
(f) Investor relations	(30)	(70)
(g) corporate staff costs	(199)	(391)
(h) leased assets	(9)	(16)
(i) other administration and corporate costs	(192)	(295)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	25	31
1.5 Interest and other costs of finance paid	-	-
1.6 Withholding taxes paid	(52)	(52)
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,310)	(2,428)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(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 (Deposits)	-	-
2.6 Net cash from / (used in) investing activities	-	(3)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	2
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	-	2

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	4,229	5,348
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,310)	(2,428)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,919	2,919
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	1,019	829
5.2	Call deposits	1,900	3,400
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)	2,919	4,229
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 **		210
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (placing facility with Long State Investments Ltd)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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)	(1,310)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,919
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,919
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2

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: 30 January 2023.....

Authorised for release by: The Board

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.