

4 March 2025

ASX Compliance Pty Ltd
Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000

Attention: Ms Vanessa Nevjestic

By email: ListingsCompliancePerth@asx.com.au

Dear Vanessa

Kalina Power Ltd (ASX:KPO) - Query Letter (Reference: ODIN106289)

Kalina Power Limited (ASX: KPO) (**KPO or Company**) refers to your letter dated 26 February 2025 (Reference: ODIN106289) set out in Annexure 1 (**Query Letter**).

The Company provides the following responses to the queries contained in the Query Letter. Capitalised terms have the same meaning as that in the Query Letter unless otherwise specified.

1. What is KPO's current unaudited cash balance?

KPO's unaudited cash balance as at 25 February 2025 was \$211,773. This does not include the amounts raised from the February Placement and Rights Issue (as defined in the response to question 2 below).

2. It is possible to conclude on the basis of the information provided that if KPO were to continue to expend cash at the rate for the quarter indicated by the Cash Outflow for the Quarter, taking into account the Negative Working Capital, KPO may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing KPO's position?

While KPO expects overall cash expenditures in the current quarter will be moderately less than the prior quarter, KPO also notes that there are other factors which ASX should take into account in assessing KPO's cash position.

- The Company is conducting a placement of KPO shares to sophisticated, professional and institutional investors, and has secured commitments to raise approximately \$1.5 million (**February Placement**). The Company is also undertaking a non-renounceable entitlement offer to its shareholders which, assuming full subscription, will raise \$1.04 million (**Rights Issue**). Collectively, the February Placement and the Rights Issue will provide approximately \$2.5 million (before expenses) in working capital to the Company.
- It should be noted that as the KALiNA projects are progressing through the Pre-FEED and FEED stages of project development, the Company is actively engaged in seeking a range of funding sources as milestones are achieved and it enhances the value of its portfolio. This includes:
 - o Negotiating formal Project Development Agreements with Crusoe for up to three of the initial projects contemplated in the announced Framework Agreement. The terms of which are

intended to include contributions from Crusoe for gas and electrical interconnection security payments.

- o The sale of one or more of its five strategic Power-CCS sites in Alberta. These sites have been secured through the option agreements entered into through the Company's Canadian subsidiary, Kalina Distributed Power Limited (**KDP**).
- o The potential sale of the Saddle Hills project site.
- o Active, ongoing fund-raising efforts by KDP and its agents to secure project development funding at the project level and/or directly into KDP.
- o KDP pursuing ongoing commercial joint venture discussions with certain strategic partners and infrastructure funders that could fund project development costs of the KDP portfolio. See below response to question 4.2 in relation to Investment Funds.

3. Does KPO expect that in the future it will have negative operating cash flows similar to that reported in the Quarterly Report? If so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate.

Given that KDP's portfolio of power projects incorporating carbon capture and sequestration is still in the project development stage, the Company believes that it is normal to expect negative operating cash flows in the future quarterly reports until KDP has constructed its first project and it is fully operating. However there may be substantial inflow of cash under investing activities when one or more project sites are sold by KDP or there is investment at KDP level.

The level of funding from KPO to KDP will be commensurate with timing and amount of funds secured by KDP or from the sale of one or more of its sites. As noted above in the above response to question 2, following the February Placement and the sale of one of the site option agreements (**Potential Site Sale**), the Company forecasts that there will be sufficient working capital for KDP to become self-funding without the need for exclusive financial support from KPO.

As at the date of this letter, KDP has been in direct discussions with potential buyers regarding a Potential Site Sale. In addition, KDP is also negotiating engagement terms with professional advisors to represent KDP in Potential Site Sales of the Saddle Hills site and one or more of its Power-CCS sites.

4. Given the following commentary in KPO's 2024 Full Year Report with respect to KPO's ability to continue as a going concern, specifically "based on forecasted cash flows through to September 2025 [...] underpinned by the following key assumptions" including:

4.1. The Non-Dilutive Funding;

In KPO's 2024 Full Year Report, KPO expected to complete a definitive project development agreement in October 2024 which would provide up to C\$16 million in non-dilutive funding for KALiNA project security payments.

The Company provided an announcement titled "KALiNA Power signs Framework Agreement with Crusoe" on 5 February 2025 (as clarified and supplemented by the announcement on 12 February 2025) (**Framework Announcement**) disclosing that KDP had entered into a framework agreement with Crusoe Energy Systems LLC (**Crusoe**) and each to use their best commercial efforts to enter into appropriate project development agreements for up to three of the initial projects.

As at the date of this letter, no non-dilutive funding has been received for KALiNA project security payments. However, the Company is negotiating final Project Development Agreements with

Crusoe for initial core projects as contemplated in the announced Framework Agreement, terms of which are intended to include contributions from Crusoe for gas and electrical interconnection security payments for the projects.

4.2. The Investment Funds;

KPO noted that it expected to seek investments from investment funds to directly fund into KDP for its Pre-FEED and FEED stage developments and had initially anticipated that this would be completed by October 2024.

KDP has been in negotiations with a select number of project funding groups that will take on early-stage risk to fund Pre-FEED and FEED costs in order to secure their right to deploy their capital for project debt and equity. KPO considers that as each project completes important milestones as outlined in KPO's recent investor presentation, the Company's market capitalisation should appreciate and enable KDP and/or KPO to better secure funding.

The Company has received financial terms and non-binding letters of intent from potential project funders for KDP's projects. The funding would include funds for Pre-FEED and FEED stage costs as well as debt and equity for the construction stages. While the proposed terms from one group are commercially attractive, they are in the preliminary stages of confirming their syndicate composition. The proposed terms from another group, after detailed negotiations, proved to be uncommercial. KDP intends to re-engage in an attempt to improve commercial terms once a project development agreement with Crusoe nears completion.

4.3. The Additional Working Capital,

The Company has 132.8 million options which are exercisable at \$0.01.

As at the date of this letter, the Company has received no exercise notices in respect of a material number of shares.

Since the date of the 2024 Full Year Report, the options are now out of money and the Company does not expect to, and is not intending on, relying on the exercise monies received on the exercise of the options to support its capital requirements.

has KPO successfully completed each of the Funding above? Please answer separately for each of the above Funding.

- 5. If the answer to any part of question 4 is "yes", please provide details. Please answer separately for each of the Funding in question 4 above.**

Please refer to the Company's response above to question 4

- 6. If the answer to any part of question 4 is "no", please provide an update on the progress of each of the following Funding:**
- 6.1. The Non-Dilutive Funding;**
 - 6.2. The Investment Funds; and**
 - 6.3. The Additional Working Capital.**

Please refer to the Company's response above to question 4

- 7. If the answer to any part of question 4 is "no", please explain how KPO's directors are satisfied that KPO remains a going concern, having regard to the commentary in KPO's 2024 Full Year Report with**

respect to its ability to continue as a going concern. In addressing this question, please comment specifically on the progress of each Funding in question 4 above.

KPO's directors are of the opinion that KPO remains a going concern after taking careful consideration of the following reasons:

- KPO's capital raise as noted above in the response to question 2 and the ongoing support from its major shareholders;
- a potential liquidity event of one or more of its Power-CCS project sites and/or the Saddle Hills project;
- the ability of KPO and KDP to scale down its operating expenses as needed;
- the signing of the Framework Agreement with Crusoe signifying confidence in the KDP team and its portfolio of projects being developed and discussions to enter into project development agreements imminently; and
- upon entering the project development agreements with Crusoe, it is expected that KDP will receive Non-Dilutive Funding (contributions from Crusoe for gas and electrical interconnection security payments for the projects) and be in a better position to negotiate the terms with Investment Funds.

KPO notes that there are a variety of factors which the board has considered in agreeing that KPO remains a going concern, which are confidential matters for the board of KPO.

8. Does KPO consider that the financial condition of KPO is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion, commenting specifically on the following:

8.1. KPO's Negative Working Capital of A\$312,501 and Negative Equity of A\$2,715,394 as at 30 June 2024;

8.2. KPO's cash and cash equivalents balance as at 31 December 2024 of A\$763,000; and

8.3. KPO's estimated quarters of funding available as at 31 December 2024 of 0.5.

Listing Rule 12.2 provides that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant continued quotation of its securities and its continued listing.

Noting the concerns raised by the ASX about KPO's financial condition in its recent Quarterly Report, the Company submits the following reasons to warrant its continued listing on ASX:

- Question 8.1
 - o The major contributing item for the Negative Equity is a non-current liability item in the balance sheet identified as the "Other payables" in the amount of \$2,423,074 (currently \$2,680,020 in the Company's report for the half year ended 31 December 2024 **(2024 Half Year Report)**).
 - o The amount is a liability of New Energy Asia Ltd (**NEA**). It is only payable by NEA pursuant to a loan agreement entered into with certain shareholders of NEA (independent of, and not including, KPO or KDP).
 - o This amount is only disclosed in KPO's 2024 Full Year Report because NEA is 75.6% owned by KPO and is consolidated into KPO's 2024 Full Year Report.

- o For the avoidance of doubt, KPO did not provide any guarantee in relation to this liability and is not legally liable to pay this amount.
- o Further as disclosed in the footnotes to Note 13 in the 2024 Full Year Report (on page 37) and in Note 3 of the 2024 Half Year Report (on page 16), such amount is only payable when NEA has adequate funds to meet one year's working capital requirements after payment of this amount.
- o KPO is currently in the process of winding up NEA. If completed this will eliminate the "Other payable" amount and improve the balance sheet substantially.

- Question 8.2

- o The Company has been commercialising its KALiNA Cycle technology for a significant period of time (whilst being listed on the ASX). Results have been mixed with such endeavours, with heavy capital requirements for the Company and resulted in non-positive cash flows. The commercialisation of the technology continues to represent an opportunity. The Company has focused nearly all of its efforts over the last 2 years in developing the Power-CCS projects in Alberta.
- o Notwithstanding this, the Company has consistently updated the market and its shareholders on its business - most recently announcing in February 2025 of its 5 Power-CCS project sites and the execution of the Framework Agreement with Crusoe.
- o The Company considers that KPO's increased cash and cash equivalents as at 31 December 2024 reflects the Company's ability to raise capital from long-standing and supportive shareholders. The Company also expects to be able to raise capital from the recently announced February Placement and Rights Issue.

- Question 8.3

- o The Company notes that while the estimated quarters of funding available based on the quarter ended 31 December 2024 is 0.5, this is a result of increased cash outlay of A\$371,000 on account of annual payment for its D&O policy, electrical interconnection applications and arrears of Directors' salaries.
- o Although there was a one-off annual option payment of A\$222,000 for land in the quarter ending 31 March 2025, the operating cash outflows for the quarters ending 31 March and 30 June 2025 are expected to be moderately lower than December 2025 quarter.
- o As noted above in questions 2 and 3, the Company is conducting the February Placement and Rights Issue and endeavours to complete a Potential Site Sale to increase its overall cash position. The Company has successfully conducted its February Placement with commitments for \$1.5 million (before expenses).

9. If the answer to question 8 is "no", please explain what steps has KPO taken, or what steps does it propose to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

Please refer to the Company's response above to question 8

10. Please confirm that KPO is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

KPO confirms compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under Listing Rule 3.1 that has not already been released to the market.

- 11. Please confirm that KPO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KPO with delegated authority from the board to respond to ASX on disclosure matters.**

KPO confirms that the responses in this letter have been authorised and approved of by its board of directors.

Yours Faithfully



Kesh Thuraiarasa
Company Secretary



26 February 2025

Reference: ODIN106289

Mr Keshwaran Thurairasa
Company Secretary
Kalina Power Limited
Suite 6, 795 Glenferrie Road
Hawthorn, Victoria 3122

By email: kthurairasa@kalinapower.com

Dear Mr Thurairasa

Kalina Power Limited ('KPO'): Query Letter

ASX refers to the following:

- A. KPO's full year report for the full year ended 30 June 2024 released on the ASX Market Announcements Platform ('MAP') at 3:15 PM AEST on 30 September 2024 (the '2024 Full Year Report'), disclosing (relevantly) the following information:
- (i) Cash and cash equivalents as at 30 June 2024 of A\$255,209 ('Cash Balance');
 - (ii) Working capital deficiency as at 30 June 2024 of A\$312,501 ('Negative Working Capital'); and
 - (iii) Net liabilities of A\$2,715,394 ('Negative Equity').
- B. The Independent Auditor's review report attached to the 2024 Full Year Report (the 'Auditor's Report') which contained the following material uncertainty related to going concern:

"Material Uncertainty Related to Going Concern

We draw attention to Note 2 Going Concern in the financial report, which indicates that as at 30 June 2024 the Group had an excess of current liabilities over current assets of \$312,501. The Group also incurred an operating loss for the year ended 30 June 2024 of \$4,146,846 and an operating cash outflow of \$3,864,438. These events or conditions, along with other matters outlined in Note 2 Going Concern, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

- C. Note 2 of the 2024 Full Year Report which (relevantly) states the following with respect to the basis upon which KPO's directors believe that there are reasonable grounds to believe that KPO will continue as a going concern and why it is appropriate to adopt the going concern basis in the preparation of KPO's 2024 Full Year Report:
- (i) *"As at 30 June 2024, the Group has cash reserves of \$255,209, and an excess of current liabilities over current assets of \$312,501 (30 June 2023: excess of current liabilities over current assets of \$171,715). The consolidated entity incurred an operating loss for the year ended 30 June 2024 of \$4,146,846 (30 June 2023: loss of \$4,923,689) and incurred an operating cash outflow of \$3,864,438 (30 June 2023: \$4,699,349). At the date of this report, the Directors have considered the above factors and the additional funds required to accomplish its business objectives and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due, based on forecasted cash flows through to September 2025 which includes a proposed fundraising by October 2024."*

(ii) The statement at paragraph C(i) above is underpinned by the following key assumptions:

- On 26 August 2024, KPO executed a Memorandum of Understanding (the 'MOU') and on completing a Definitive Project Development Agreement (the 'PDA') expected to be finalised in October 2024 which will include provisions and timelines for up to C\$16,000,000 in non-dilutive funding for KALiNA project security payments (the 'Non-Dilutive Funding');
- On 27 September 2024, KPO announced a fully underwritten rights issue of one share for every twenty-four to raise A\$1,030,000 (the 'Rights Issue') and further announced that it was seeking to raise A\$1,500,000 from a placement with institutional investors (the 'Placement');
- KPO was actively seeking investment funds into its wholly-owned subsidiary Kalina Distributed Power for pre-feed and feed study and for working capital and targeting to complete this in the fourth quarter of the current calendar year (the 'Investment Funds'); and
- KPO has 132,800,000 options outstanding which are exercisable at A\$0.01 and are already in the money, and believes some of the outstanding options may be exercised which would add to the KPO's working capital requirement (the 'Additional Working Capital Funds')

each a 'Funding', together, the 'Fundings'.

D. KPO's quarterly activity and cash flow report for the quarter ended 31 December 2024 entitled "Quarterly Activities/Appendix 4C Cash Flow Report" released on MAP at 8:19 AM AEDT on 31 January 2025 (the 'Relevant Date') (the 'Quarterly Report'), disclosing (relevantly) the following information:

- (i) Net cash used in operating activities for the quarter of A\$1,279,000 (the 'Cash Outflow for the Quarter');
- (ii) Cash and cash equivalents at the end of the quarter of A\$763,000; and
- (iii) 0.5 estimated quarters of funding available.

E. KPO's responses to the question at item 8.6 of the Quarterly Report as set out below:

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?*

Yes.

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?*

In addition to the Company's ongoing marketing campaign to finance KDP's project development requirements, the Company has recently commenced discussions with advisors for the potential sale of one or more of KDP's project sites which could significantly reduce KPO's ongoing cash requirements. In addition the Company has supportive significant shareholders with a history of contributing to the Company's financing requirements. The Company is confident it will be able to raise funds on this basis.

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?*

Yes. See 8.6.2.

F. Listing Rule 12.2 which states:

12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.*

Request for information

Having regard to the above, ASX asks KPO to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. What is KPO's current unaudited cash balance?
2. It is possible to conclude on the basis of the information provided that if KPO were to continue to expend cash at the rate for the quarter indicated by the Cash Outflow for the Quarter, taking into account the Negative Working Capital, KPO may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing KPO's position?
3. Does KPO expect that in the future it will have negative operating cash flows similar to that reported in the Quarterly Report? If so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate.
4. Given the following commentary in KPO's 2024 Full Year Report with respect to KPO's ability to continue as a going concern, specifically *"based on forecasted cash flows through to September 2025 [...] underpinned by the following key assumptions"* including:
 - 4.1 The Non-Dilutive Funding;
 - 4.2 The Investment Funds; and
 - 4.3 The Additional Working Capital,has KPO successfully completed each of the Funding above? Please answer separately for each of the above Funding.
5. If the answer to any part of question 4 is "yes", please provide details. Please answer separately for each of the Funding in question 4 above.
6. If the answer to any part of question 4 is "no", please provide an update on the progress of each of the following Funding:
 - 6.1 The Non-Dilutive Funding;
 - 6.2 The Investment Funds; and
 - 6.3 The Additional Working Capital.
7. If the answer to any part of question 4 is "no", please explain how KPO's directors are satisfied that KPO remains a going concern, having regard to the commentary in KPO's 2024 Full Year Report with respect to its ability to continue as a going concern. In addressing this question, please comment specifically on the progress of each Funding in question 4 above.
8. Does KPO consider that the financial condition of KPO is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion, commenting specifically on the following:
 - 4.1. KPO's Negative Working Capital of A\$312,501 and Negative Equity of A\$2,715,394 as at 30 June 2024;
 - 4.2. KPO's cash and cash equivalents balance as at 31 December 2024 of A\$763,000; and
 - 4.3. KPO's estimated quarters of funding available as at 31 December 2024 of 0.5.
9. If the answer to question 8 is "no", please explain what steps has KPO taken, or what steps does it propose to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

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10. Please confirm that KPO is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
 11. Please confirm that KPO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KPO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:00 AM AWST Monday, 3 March 2025**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KPO's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require KPO to request a trading halt immediately if trading in KPO's securities is not already halted or suspended.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KPO's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of KPO's trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in KPO's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to KPO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that KPO's obligation to disclose information under Listing Rule 3.1 is not confined to, KPO is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance