ASX ANNOUNCEMENT

21 May 2026

MAJOR REGULATORY AGREEMENT ENHANCES KALiNA'S PROJECTS IN ALBERTA

Highlights:

- **Formal Ratification:** Canada and the Province of Alberta have signed a formal Implementation Agreement, largely ratifying the new regulatory framework in their Memorandum of Understanding signed in November 2025**.**
- **Exemption from Emissions Abatement Deadlines:** This places Canada's Clean Electricity Regulations into abeyance in Alberta, conditionally suspending requirements for gas-fired generators to physically abate emissions by 2035.
- **Regulatory Clarity:** Establishes a transparent emissions compliance cost framework designed to minimize volatility, maximise development flexibility that strengthens financing viability.
- **Other important regulatory updates:**
    - Canada's National Electricity Strategy is a recently announced federal plan to double the country's grid capacity by 2050 to meet surging power demands from AI data centres, electric vehicles, and industrial reshoring.
    - Alberta has committed to implementing a comprehensive policy framework on or before July 1, 2026, to incentivize large-scale data centre development, including incentives for Canadian sovereign computing.
    - Alberta's AESO anticipates publishing its Large Load Application Process in late May 2026 to prioritize and establish criteria for large load applications that require matching with equivalent power generation.

KALiNA Power Limited ("KALiNA" or the "Company") (ASX: KPO) is pleased to report on a major regulatory event in which Canada and the Province of Alberta have formalized their bilateral energy framework. The Implementation Agreement is expected to have positive implications for the projects being developed by KPO's 100%-owned Canadian subsidiary, **KALiNA Distributed Power ("KDP")**.

As reported in the Company's most recent Quarterly Activities Report, KDP has been closely monitoring the pending ratification of the Memorandum of Understanding ('MOU") announced in November 2025 between Alberta and Canada. On May 15, 2026 the Prime Minister of Canada, Mark Carney and the Premier of Alberta, Danielle Smith signed their Implementation Agreement. The Agreement codifies many of the new regulatory terms of the MOU designed to harmonize provincial and federal policies on carbon management and emissions, provide regulatory certainty and to facilitate near term investment in Alberta's energy sector.

KALiNA Managing Director Ross MacLachlan commented:

"This Agreement represents an important regulatory catalyst that we have been waiting for. Together with other regulatory activity underway in Canada and Alberta, we can begin to see a consistent theme of constructive policies and themes that are being developed in concert to create a very positive regulatory environment. Infrastructure projects such as power plants and data centres need the type of regulatory certainty and supportive legislative jurisdictions that we see emerging with all this news.

After several years of uncertainty, it is great to see these sentiments change to reflect pro-business, common sense policies; the impact of which may serve to align Federal regulations with Alberta's publicly stated objective to attract over $100 billion of data centre investment and position the province as North America's premier destination for Artificial Intelligence and Data Centres infrastructure."

The Agreement highlights several key elements that were negotiated to deliver a firm path forward for both governments to meet their respective goals and deliver on their stated objectives. Highlights of the regulations include the following:

- Alberta will govern and administrate these regulations through the Alberta's Technology Innovation and Emissions Reduction system (TIER) which is the industrial carbon pricing and emissions trading regulation entity.
- Alberta's emissions compliance cost (carbon price) will be set at CA$100/tonne for 2027, 2028 and 2029, increasing to CA$115/tonne for 2030, and reaching CA$140/tonne by 2040.
- Agreement stipulates a minimum Floor Price for the trade of CO_2 credits (carbon credits) to be CA$60/tonne in 2030 escalating to CA$110/tonne in 2040.
- Agreement includes potentially beneficial provisions for deploying Carbon Capture & Sequestration ("CCS") including:
    - Increased underlying market value for CO_2 sequestration offsets.
    - Carbon Contracts for Difference (CCfDs) to de-risk large-scale, low-carbon and emissions-reduction investments. Guarantee a fixed minimum price for carbon credits, providing projects with the long-term price certainty needed to support project financing.
    - Commitment between Canada and Alberta to offer 75 million tonnes of CFD's to projects that implement CCS between 2030 and 2040.
    - Canada Growth Funds to set aside CA$70billion for carbon credits support.
- Confirms the CER will be "held in abeyance" subject to the effectiveness of the implementation of CO_2 credits markets provisions of the Agreement.
- Provides gas-fired generators with flexibility to pay the carbon tax without the previous federal requirement to physically abate emissions by 2035. Power developers will now have a choice, not a requirement to deploy CCS.
    - Projects may connect to the grid without CCS enabling supply to Data Centres and/or industrial loads by paying the prescribed carbon tax.
    - Increases flexibility in gas-fired generation configuration and operations.

Implications for KDP

The expected increase in carbon credits strengthens the economic case for the incorporation of CO_2 Capture & Sequestration (CCS) in gas-fired generation projects.

All of KDP's ~200 MW sites are located with access to CCS infrastructure.

KDP's projects can proceed with or without deploying CCS. This positions KDP well to respond to the priorities and needs of prospective long-term offtakers. Some with speed to market as the main priority, while others prioritize long-term cost effectiveness.

Further regulatory updates

Canada's National Electricity Strategy, titled *Powering Canada Strong* is a federal plan to double the country's grid capacity by 2050 to meet surging power demands from AI data centres, electric vehicles, and industrial reshoring. The Strategy announced on May 14, 2026 proposed material regulatory changes to the Clean Electricity Regulations (CER) while maintaining a net-zero by 2050 goal. It introduced a streamlined federal approvals process and arrives alongside a parallel federal-Alberta Implementation Agreement subsequently signed the next day with the Alberta government.

Alberta has committed to implementing a comprehensive policy framework on or before July 1, 2026, to incentivize large-scale data centre development, including incentives for Canadian sovereign computing. This framework emerges from a joint Memorandum of Understanding with the federal government and supports the province's previously announced Artificial Intelligence Data Centres Strategy.

The Alberta Electric System Operator (AESO) is in the process of establishing new rules and criteria for its Large Load Application Process for projects of 75 MW or greater. It has publicly stated that large loads (such as data centres) seeking grid access must contractually pair ("tether") with new power generation on effectively a 1:1 MW basis. These regulations are expected to be finalised shortly. The positive implications of 'tethering arrangements' for KDP's power generation is significant, with the AESO regulations further increasing KDP's potential to become an attractive partner for data centre developers seeking grid connection in Alberta. AESO has publicly stated that it anticipates publishing the Large Load Application Process by the end of May.

This announcement was authorized by the Board of Directors of KALiNA Power Limited.

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