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Windlab Limited Results Call Script – 10am 1 March 2019

Roger Price, Executive Chairman and CEO

Rob Fisher, Chief Financial and Operating Officer

[Rob]

Good morning everyone. My name is Rob Fisher and I am Windlab's Chief Financial and Operating Officer. I am joined this morning by Roger Price, Windlab's Executive Chairman and CEO

On this call I will take you through our calendar 2018 results as released yesterday. Roger will provide an update on the company's operations. We will then take questions.

2018 was a mixed year for Windlab. The company's recurring revenues from operating assets and asset management grew 65%, in line with our long-term strategy to build a portfolio of assets producing consistent and predictable cashflows. Kiata Wind Farm's first full year of commercial operation was a key contributor, with a net capacity factor of 48.2%, 50% above the market average in Australia. This success was tempered by the delay in financial close at Lakeland, deferral of revenue recognition from Greenwich in the USA and construction delays at Kennedy Energy Park.

Total income this year from all sources totalled $6.25m, including $339k cash consideration received from the sale of Greenwich. Of this total around $3m came from our asset management business, with $1.92m representing share of profit from Kiata and Kennedy.

Expenses were largely flat year on year, with the exception of the carrying value of the Greenwich project which was expensed on its sale, a $4.1m non-cash impact on the P&L. Please note that the sale of Greenwich entitles Windlab to a payment of around US$4m when that project commences construction, which we expect later this year. At that time Windlab will recognise revenue at that time with no further costs to expense.

Net loss after tax was $3.8m.

Operating cash inflows totalled $3.94m, with a further $2m in cash distributions received from Kiata Wind Farm. Cash payments to suppliers and employees and investment in our development projects increased slightly in 2018. The company repaid just under $2m from the CEFC senior debt facility in March, and extended this facility late in the year. This extension, combined with a closing cash balance of $4.7m and the Eurus injection of funds into Windlab East Africa, provides sufficient working capital for the Group's immediate purposes. Our rate of cash burn, in the absence of development profits, is reducing and continues to reduce this year, as our recurring revenues continue to grow, particularly once Kennedy is operating and paying distributions. Our asset management business is also showing pleasing signs of ongoing growth which will contribute directly to reduce the cash burn rate.

East African operations will now be self-funding and using historical metrics as guidance will remove approximately $1.5m in cash outflows each year from the core business.

If we are successful in executing our 2019 plans we have no need for any additional capital, but we are conscious that timing is a challenge in the development business, and as a result management is actively working to extend our working capital facility. Historically Windlab has carried, and serviced, around $10m in working capital debt and we believe it would be prudent to have this level available to us in the future, even it is not used.

I'll now ask our CEO Roger Price to provide an operational update.

[Roger]

Good morning everyone. I'd like to begin by touching on some of the highlights from 2018:

◆ We mentioned Greenwich Wind Farm in Ohio, USA it was sold to Swift Current Energy LLC (Swift Current). As you may remember Greenwich is a 60MW permitted project, awaiting an offer to connect and seeking a Power Purchase Agreement (PPA). Consistent with our slightly more limited business model in the US, we have sold the project to Swift Current because they have a strong track record of completing and financing projects in the mid-west and eastern United States;

◆ We achieved a first in Tanzania. We obtain an environment and development approval for the first ever wind farm proposed in Tanzania. Miombo Hewani is a 300MW project, likely to be constructed in three phases, with an exceptional wind resource perhaps the best in our portfolio. It is located in the Njombe Region, adjacent to 220 KVA substation and transmission lines;

◆ In Kenya, we have a number of potential projects. Our most advanced has similar resource characteristic to Kennedy Energy Park in North Queensland and accordingly, we are therefore developing it as a Wind/Solar/Storage hybrid. During the year monitoring on this site was commissioned. This project is expected to be the first hybrid project on the African continent;

◆ Good progress was made in expanding and maturing the Company's development portfolio; a total of four new projects with a nominal capacity of up to 700MW were secured, three in Australia and one in South Africa. 540 MW of additional capacity (including Miombo Hewani) achieved development and environmental approval;

In terms of the markets in which we operate, we have seen aspects develop rapidly and some things stay the same. What has not changed is the disconnect between federal and state energy policies in both the US and Australia; or a lack of sensible, stable and long-term policy to support the transition to a low carbon future. However, this has not slowed down the transition in either market.

Happily, in South Africa, we have seen the administration under new President Ramaphosa take a number of steps towards re-starting the successful Renewable Energy Independent Power Producer Procurement Program. Amongst an environment of lack of supply and load shedding in South Africa, the latest announcements from his energy Minister indicate that they will release a new integrated resource plan for the country this month and move to re-commence reverse auction bidding rounds for wind and solar a few months thereafter. Windlab now has 640MW of approved capacity across five projects in this market, ready to bid.

We have also seen Tanesco, the Tanzanian Government owned utility, run it first broad based competitive RFQ for IPP renewable energy supply. Windlab's Miombo Hewani project has been short listed.

Globally more than 50,000MW of wind were installed in 2018. Interestingly the volumes are shifting from China to now the Americas and India. In the US more than half of the 13GW of wind that reached financial close last year was sponsored by direct corporate PPAs for the first time.

In Australia, we saw a record $12B invested in wind and solar.

However, the ongoing lack of policy certainty and co-ordination with states and regulators is creating technical, market and investor uncertainty which flows through to create a more uncertain operating environment. In Australian the key impact saw the emergence of new network connection issues stemming from, amongst other things, the uncoordinated deployment of large amounts of distributed renewable generation. This situation has required the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) to introduce new connection standards and rules requiring higher levels of technical performance from renewable plants. The nature and rapid implementation of these new rules has increased the complexity of obtaining grid connection approvals, compliance and registration. This will have a direct flow on to the

cost of development and the capital cost of projects. This has become an industry-wide problem, contributing to the contract delays and cost overruns that impacted the likes of RCR Tomlinson, delays in Infigen's Cherry Tree Wind Farm and Total Eren's Kiamal Solar farm, as well as numerous stalled or cancelled solar projects. Going forward it will be more expensive to connect future wind and solar projects in Australia. However, to counter this the release of new wind turbine models by most manufacturers clearly indicate that ongoing technology, energy production and price improvements are expected to more than off-set the additional connection costs over time.

So despite a large and growing market and the company making good progress on many fronts during the year, the withdrawal of InfraRed Capital Partners as the exclusive equity partner for Lakeland Wind Farm in November 2018 was both surprising and disappointing and was a sour note for the business. Since that time the Company has engaged with a number of alternative equity investors. Good progress has been made in selecting investor for the project and we are in discussion with a final few. However, the network issues mentioned before have impacted progress of the project and are likely financial close timing. The delay caused by InfraRed, has pushed the project into a new connection regime, which commenced on 1 February 2019. These new rules require the project to fund significant additional network connection equipment, including a synchronous condenser. However, over the last 6 months a number of new wind turbine models with improved performance and better economics have also become available. This has created an opportunity for the project to re-tender the wind turbine supply contract for the project, mitigating the impact of increased connection costs. Given these circumstances it was considered prudent to pursue the available wind turbine cost reductions, rather than rush the project to financial close, potentially eroding millions of dollars in value. These activities however will delay the project reaching financial close, yet it is still expected to be achieved in 2019.

This whole experience does highlight the inherent timing risk involved in renewable energy project development, it is important to recognise that it signifies a delay in value creation rather than changing the long term goals and opportunities for the Group. In the opinion of management, Lakeland remains a highly prospective project. It also further emphasises the need for a well-crafted, diversified portfolio of development assets across multiple markets. All developments can be subjected to externalities and the unexpected. Unlike single project companies, Windlab continues to mature our portfolio, we expect to have multiple approved projects available in all major markets, so our ability to maintain a goal of closing one or two projects a year continues to improve.

In relation to this objective, during the year we received development approvals on a further 540MW of capacity across three projects and secured a further 700MW of capacity, both in Australia and South Africa.

Speaking of the development portfolio; the challenging regulatory and policy environment mentioned before also has created additional uncertainty around grid connection capacity in North Queensland. With no meaningful advice, or plan or action by the Queensland Government on its proposed "Clean Energy Hub" the Company

decided to undertake its own detailed grid study to better understand available capacity, potential loss factors, load flows and potential grid upgrade investment scenarios. This study concluded that "Big Kennedy" is most competitive with either the "Clean Energy Hub" or the proposed Copperstring 2 facilitating a simpler grid connection for the project. For those who might be aware Copperstring is a proposal to build a transmission line to connect Mt Isa to the NEM. This is being motivated by the big miners in Mt Isa who are seeking more competitive electricity prices by connection o the NEM. The project is being promoted by a private group who have just secured a $5M grant from the federal government to undertake addition technical and route studies. However, in the absence of certainty of either connection solution other large projects in Windlab's portfolio were shown to be more competitive in the short term and the company has moved to accelerate those projects ahead of Big Kennedy. In particular the company has accelerated work on another North Queensland project (circa ~250MW), which is located right on the main North Queensland's 275KVA transmission line. In the absence of any government initiative, this re-prioritisation provides improved optionality and the likelihood of project success in North Queensland in the shorter term. It is worth noting however, that Windlab remains committed to Big Kennedy and firmly believes it is a critical resource, needed by Queensland to meet its 50% renewable target.

Now onto what we expect in 2019;

We feel we have already got 2019 off to a strong start: earlier this week we announced the investment of US$10M into our Eastern African portfolio. The transaction sees Eurus Energy Holdings of Japan, a long term partner of Windlab, investing to receive a 25% stake in that portfolio, which includes a mix of early stage and more developed sites across East Africa. Note that Windlab retains 75% of the portfolio's ownership and control. This is another real validation of Windlab's WindScape technology, the Company's pioneering development efforts and the fundamental market opportunity that exists in these emerging markets, which are massively underserved in electricity provision. Eurus is one of the largest and most experienced international pure play renewable energy IPPs in the world. They operate across 13 countries, including places like Egypt and Uruguay. Through this transaction they are demonstrating what they think about the opportunity in these markets and the value of the portfolio. It provides a valuation benchmark for a portfolio of development projects in these markets, albeit a benchmark that is not currently recognised in Windlab's share price.

The investment from Eurus Energy Holding Corporation into Windlab Africa will allow the Company to accelerate activities in these markets, allowing it to further strengthen and diversify its development portfolio.

Other key activities anticipated during 2019 which are consistent with achieving our strategic goals are:

◆ Reaching financial close on Lakeland Wind Farm;

◆ Kennedy Energy Park will be commissioned and commence full operations;

◆ We continue to work on growing our asset management business and expect to secure additional third-party asset management contracts reasonably shortly;

◆ We expect to add to the Group’s debt facilities to provide additional and more flexible working capital necessary to manage any delays and the impact of the new grid environment;

◆ Greenwich Windpark is expected to reach financial close in the middle of the year and upon this event Windlab is due approximately US$4M in the form of a success fee;

◆ We continue to work on the development applications for “Big Kennedy”, but just at a slightly slower pace. We still expect to lodge the DA for Big K and up to 3 additional projects this year;

◆ With our new partners in East Africa we will work towards financial close of Miombo Hewani in Tanzania or at least the first stage in Tanzania; and

◆ If round 5 of the REIPPP is mandated in 2019 we are well placed and ready to bid multiple projects into the next bidding round.

So in in conclusion, a mixed year. We understand that many of our stakeholders and shareholders are disappointed about the delay at Lakeland, as is management and the whole team at Windlab. However, we are confident that the project remains very prospective and we are working hard to complete it as soon as possible. In the meantime, we have made good progress one many other aspects of the business and remain confident about our competitive advantage, the large market opportunity that we operate in and the growth prospects of the business.

[Rob]

Now we’ll open the call up for questions. Could I please request that you state your name and organisation before your question?

<Questions>

[Aaron Spicer, Lend Lease]

Just wonder with the Eurus sale what does that mean for the value of the rest of the portfolio; what can people extrapolate from that?

[Rob]

I think the best thing we can extrapolate from that is the value of that African portfolio itself. Eurus has acquired a 25% interest for US$10M that implies a pre-money valuation of that portfolio of US$30M close to AUD$40m.

[Aaron Spicer, Lend Lease]

What about in other geographies, is there opportunities to do something similar elsewhere?

[Roger]

There might be but the question we would have to ask is why? The reason why we have done this in East Africa is twofold: one is to diversify the risk for Windlab shareholders because most would note that the markets of Zambia, Tanzania and Ethiopia etc would be seen as maybe a higher fundamental risk then some of the other markets in which we operate. So we have taken this step to lay off some of the risk on Windlab. The other reason we have done it, and actually there are three reasons, the other reasons we have done it is to generate working capital so we can accelerate our activity in these markets because we believe these markets are exciting long term growth markets. The third reason is that financing projects in these markets will not be a straight forward exercise. We will not be able to use the straight forward project finance techniques we use in Australia. So bringing in a partner who has access to a large balance sheet through its related parties, has good connections with a number of Japanese financing authorities and has demonstrated the ability to finance projects in places like Egypt and Uruguay, I think means that that sort of partnership should help us move the project through financing in a more efficient way. In the other markets we operate, those benefits don't necessarily come via partnering so by bringing others in to the portfolio just to value the portfolio, would not necessarily seem to be a required activity.

[Aaron Spicer, Lend Lease]

And in relation to Lakeland, you said sometime in 2019; with the change in turbines and grid connections are you thinking mid-2019 or December 2019? What is the plan at the movement?

[Roger]

It is difficult to provide a specific indication at this stage. Going through a turbine tender, sorting out grid issues we are talking 2 to 4 months delay and then there is the financial close process after that. We are confident about achieving it in 2019.

[Jesse Liu]

A question to clarify regarding Lakeland; you said if Lakeland doesn't reach close in 2019, then the funds from Eurus and Greenwich should tide you over for another 12 months and then you might need to use the AUD$10m, would that be anticipated to also last another 12 months or could you give some indication as to how long the exact funds might last you guys for?

[Rob]

I think Jesse that is not quite what we said. I think what we said was with Lakeland and Greenwich we have plenty of capital in the tank and we are well funded. If there are delays in those projects, to counter any negative effects from delays in those projects we are going to put some additional working capital headroom in place. We hope not to have to use it. I would also make the point too that later in the year we will see cash coming out of Kennedy Energy Park which will go a long way to getting us close to a cash neutral scenario. We don't really think of the AUD$10m debt we are arranging as providing us runway, it's a working capital management tool.

[Jesse]

Understood, thank you for clarifying that.

[Nick McNaughton]

Congratulations on improving the amount of annual recurring revenue. I would like to ask two questions. The first is are you seeing annual costs being flat over the coming

year? And secondly are you also expecting to see an improvment in annual recurring revenue?

[Rob]

Our cost base was flat over the last two years and I think we are not looking to expand that significantly or really at all but would note as our asset management business grows that does bring costs with it, it is not a fixed cost business and although it should scale well it, costs will increase as we add recurring revenue to that asset management portfolio. We do expect to add significantly to the recurring revenue through the operation of Kennedy Energy Park, through the asset management fees that come with that project and from growth in that area of the business and once Lakeland reaches financial close, we will also pick up significant construction management fees through there. So yes, we do expect recurring revenue to continue to grow.

[Nick]

Do you have any projections, you may not want to give guidance, about when you will cross the annual recurring revenue exceeding the baseline costs for the business?

[Rob]

It is somewhere around when Kennedy starts to operate but it is company policy not to provide specific guidance.

[Nick]

Thank you.

[Aaron Spicer, Lend Lease]

You mentioned the third REIPPPP process is about to start back up again in South Africa, is it likely to be in a similar way as previously with projects capped at 140MW and allocations for wind and solar split separately, do you have visibility on that?

[Roger]

The early indications are generally yes, however there is likely to be a refresh or a tweak of the rules between the announcement of bidding rounds and the release of the final bidding documentation. That will be more likely to address, funnily enough, issues around grid connection more so than things like the scale of the projects. There are some parties lobbying to have that limit lifted, so I don't know what will happen, my guess would be it has been an effective risk mitigation tool for the government and I suspect that they may well keep that in place.

[Aaron Spicer, Lend Lease]

And our projects are pretty much sized with that in mind these days?

[Roger]

Yes, we have designed our projects in a modular way so yes some of them could certainly be much bigger than 140MW but at the same time they can be built in stages.

[Hamish Burns]

Two queries from me. Firstly, could I get a bit more colour around the force majeure event at Big Kennedy (sic) because in yesterday's announcement there was commentary around potential action against the EPC contractor as well as potential PPA stress, sorry stress is the wrong word but PPA consideration round that side of events as well and my second question is Lakeland but we can come around to that in a minute.

[Rob]

Yes, why don't we do them one at a time thanks Hamish.

First of all I would like to make clear that there is no action or dispute on foot with the EPC contractor at Kennedy at the moment, the focus is very much on completing the project. Force majeure sounds like a serious term, a serious matter but in fact what that is around is the disaster in Townsville and the flooding in north Queensland which has required Ergon, the network operator to focus its resources on disaster recovery rather than commissioning Kennedy and as a result we triggered the provisions in the PPA to defer sunset dates as is prudent under the contract, but it is not a material time delay to the project from that force majeure event.

[Hamish]

Ok, so around then the delay past February with the new connection burden, that's not going to really impact Kennedy because of the stage that project was at?

[Rob]

Correct so Kennedy has received its connection letter under the old rules before 1st February and the contractors are now working to meet those requirements and get the thing connected.

[Hamish]

And just on Lakeland and our pulling out at the 11th hour from your project partner on that which I think you referred to as a sour experience for the company, has there been some adjustment or reflection around future equity partner contracts so that if any partner were to do that in the future there is some more punitive measures against them so that shareholders aren't burnt so bad by such considerations?

[Roger]

I think every deal is bespoke, we have had different arrangements around exclusivity, around running multiple parties in to the process in the past unfortunately as it turned out, InfraRed whilst they looked like a very very good partner early on having particularly closed earlier in 2018 a project called Lal Lal in Victoria, as it turns out maybe they didn't have quite the expertise or experience in this market that they required, so we always try and protect our interest as best we can, these projects however, these processes are very bespoke, sometimes you can do those things and sometimes you can't.

[Hamish]

Thank you

[Giles Parkinson, Reneweconomy]

A couple of questions, this requirement to have a synchronous condenser at Lakeland from the post February 1 rules; is that going to affect every project up there and how much does that add to the cost? Are you thinking, as they have done in Victoria, you might put one synchronous condenser and then maybe sell some of the services to the neighbouring plants and how are you thinking about that?

[Roger]

So in terms of the cost of a synchronous condenser that is an ongoing commercial discussion so I am not going to venture any numbers around that. I think a lot of projects are now going to be required to put in place a synchronous condenser, particularly in Queensland but I also think in other parts of the NEM. Yes there could be a more system wide response to that technical requirement but at the moment we are not seeing any of the grid operators or any of the regulators taking things in that direction. It would inevitably be a more cost effective and elegant solution for it to be done at a system level but that would require coordination between multiple state bodies and regulators and we don't see any sign of that happening right at the moment.

[Giles]

Do you think they have gone too far and been overly conservative? Are they overstepping the mark with this requirement on the post February 1st regime?

[Roger]

Let me say, there's a fair few belts and braces being applied for sure.

[Giles]

In terms of the 250MW project that you say that you might priorities ahead of Big Kennedy, can you give us any more colour about what that project is? Is it wind and solar or just wind, battery?

[Roger]

Like with all the projects we do Giles they are based or they are led by the wind resource, we are a wind company and we have a distinct technological competitive advantage so what we find is the best wind resources. In certain cases it might make economical sense to add solar and storage, however in Queensland now I think the economic rational for adding more solar is most probably a little questionable so it is very much focused on the wind resource.

[Giles]

Thank you.

[Aaron Spicer, Lend Lease]

One last one from me. With the Copperstring 2 process, where is that one at in its progression and when do you think there will be more clarification as to whether that is likely to go ahead?

[Roger]

I can't really comment, we are not a part of that particular project. Obviously we know the proponents reasonably well. As I said they have been granted AUD$5m; If you go back 8 years ago they had a fairly comprehensive project proposal for the original version of Copperstring. They have been given AUS$5m as a grant by the Federal Government to refresh those studies to look at new line routes etc etc. I don't know much more then that at the moment and I guess the next step will be to see what comes out of the studies that they are currently undertaking.

[Aaron]

Thank you

[Rob]

If there are no more questions/as we have run out of time, I'd like to thank everyone for joining the call and look forward to updating you on our progress throughout the year.

<Ends>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Windlab. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.