windlab
60 Marcus Clarke Street
Canberra City 2601
AUSTRALIA
Ph: +61 2 6175 4600
www.windlab.com

Windlab Limited Results Call Script – 10am 22 August 2018

Roger Price, Executive Chairman and Chief Executive Officer

Rob Fisher, Chief Financial and Operating Officer

<Price>

Good morning everyone. My name is Roger Price and I am the Executive Chairman and CEO of Windlab Limited. If I could ask people to go on mute until the Q&A session at the end that would be appreciated. I am joined on the call today by Rob Fisher.

<Fisher>

Hello everyone I am Windlab's Chief Financial and Operating Officer. I'm speaking to you today from Kennedy Energy Park in Queensland, where I'm pleased to report it is both windy and sunny.

On this call we will take you through a review of the company's key milestones post IPO, a summary of our financial results for the first half of 2018 as released yesterday and details relating to our current key projects. We will then discuss our financial results in a little more detail before providing some brief commentary on the near-term outlook.

We will then take questions.

<Price>

It is one year tomorrow that we listed Windlab on the ASX. In our prospectus and subsequent investor presentations the Company laid out a number of key objectives for the first 12 to 18 months of operation as a public company.

Our key objectives included;

Objective	Outcome
• To achieve Financial Close of the Cooper's Gap Wind Farm, original developed by Windlab, but now owned by AGL	• This was achieved coinciding with the IPO, earning Windlab a $10.3M success fee
• To reach Financial Close of the Kennedy Energy Park Hybrid in North Queensland; an industry first hybrid renewable energy project	• This was achieved in early November 2017. Windlab using most of its IPO proceeds to maintain a 50% equity interest in this innovative project
• To complete the construction of Kiata Wind Farm	• The project commenced operation in late 2017 and has since been the second best performing wind farm in Australia

• To gain all necessary approvals for the Lakeland Wind Farm and to take the project to financial close	• This 100MW wind farm received its development approval in February 2018, executed a connection agreement in April and received the final federal environmental approval this month. The project is fully approved for construction to begin
• To obtain a development approval of Miombo Hewani Wind Farm (in Tanzania)	• This is a 300MW wind farm in Tanzania with a phenomenal wind resource, perhaps the best in our portfolio. It is the first wind farm to ever be approved in Tanzania
• To sell of Greenwich Wind Farm (OH, USA)	• Today I can announce that negotiations are extremely advanced for the sale of the 60MW wind farm and we should see that come to conclusion over the very near term
• To continue to grow and mature our development portfolio	• We have continued to leverage our competitive advantage and have used Windscape to find additional projects and have secured additional capacity in South Africa, Queensland and NSW.
• To construct Kennedy Energy Park and to have it operating before the end of the year	• It is well underway with most of the civil works complete. The turbine erection is well underway and the solar plant well advanced.

To date we are largely on track and have delivered against our key goals. But of course we have more to do.

It is also worth reflecting on Windlab's core competitive advantage; our science-based approach to finding the best economic wind resources in our chosen markets; the use of our technology Windscape. As you know as Windlab's business model has matured we have sought to capture the development margin we create in our project through taking cash and maintaining a carried interest in our operating project. The two projects we have completed this way so far are Coonooer Bridge Wind farm; which has been operating since 2015 and Kiata, which commenced operating just late last year. We have ownership interest in these two wind farms and for the first six months of 2018 they are the two best performing wind farms in the country. Coonooer Bridge has been the top performer by capacity factor since it commenced operations and Kiata, is catching up rapidly as the impact of initial commissioning averages out. Both projects exceeded a 45% capacity factor in the first half of 2018, and greater than 60% in July and August. It should be noted that 2018 has not seen unusual wind conditions across Australia. That is a great testament to our technology and our ability to find the best wind resources in our chosen markets.

<Fisher>

As mentioned I am at Kennedy Energy Park, near Hughenden in Queensland today. I am here with our partners from Eurus Energy to install the first solar panel and oversee progress and meeting the construction team. Construction is progressing largely to schedule. The first turbines were erected last week and much of the solar infrastructure is in place. We have however experienced some challenges in completing grid connection works, which in

part relate to the complexity of the project, connecting into a reasonably weak part of the network. We continue to work closely with all parties, including our contractors and Ergon Energy there is likely to be a delay in energisation by a month or two and at this stage we are expecting that practical completion may push out to February 2019. At this time we do not expect the delay to have any material impact on revenue or profit with Windlab results either this year or next.

<Price>

The key focus for 2018 is the Lakeland Wind Farm in Queensland. Lakeland is a 104MW wind farm which is now fully approved. You will note that over the past couple of weeks we have made important announcements about firstly a Power Purchase Agreement with FlowPower and last week the announcement of an equity partner for the project. InfraRed Capital Partners of the UK will provide all the equity investment needed to construct the project. At financial close the ownership of the project will rest between InfraRed, Windlab and a small holding by the community surrounding the wind farm. This is expected to deliver a good result for Windlab; an outcome consistent with our stated business model including receiving cash and a carried interest in the project.

Additionally, the first half of 2018 was focussed on progressing development across our portfolio while continuing to build our recurring revenue base. Lakeland in Queensland and Miombo Hewani in Tanzania received development approvals. Kiata Wind Farm in Victoria paid its first cash distributions and contributed to profit for the whole reporting period for the first time. We will talk more about these projects later in the call.

<Fisher>

Revenue for the half was $1.84m, of which $1.7m was recurring, an increase of half a million on the prior period. This was driven by increased asset management fees with the addition of fees from Kennedy and Kiata for the full half. Development activities did not contribute to revenue materially in the first half of the year as expected, with the main revenue events planned in the second half.

The share of profit booked from operating projects was $676k in the half. This was principally from our Kiata Wind Farm in Victoria. Shareholders will recall that this is a 30MW project in which Windlab owns a 25% interest. Kiata has a long term contract to sell LGCs to the Victorian government but sells its electricity into the spot market. Strong prices in Victoria combined with as-expected operational performance resulted in a profit performance ahead of expectations. Although it booked a profit of $676k, Kiata paid a quarterly distribution of $997k following conversion of the construction loan in June 18. This amount included a return of unused contingency, which is accounted for as a reduction in the carrying value of the project on the balance sheet rather than a share of profit, although it is a genuine return of value, inflow of value to Windlab.

Company operation costs were in line with expectation, producing a modest net loss for the half of $1.3m.

Turning to the balance sheet, we closed the half with a little over $8m in the bank, sufficient to fund ongoing operations through the second half and beyond. This is after paying down $2m in debt to the Clean Energy Finance Corporation in March. We retain $2.9m in debt which falls due in 2019 and we are exploring opportunities to extend or re-finance this facility.

This is the first period in which Windlab was required to apply the new accounting standard AASB15 *Revenue*. Although the standard has little impact on recognition of revenue from

our ongoing operations and future transactions, the transitional provisions requires us to consider any “incomplete” contracts at 1 January 2018. We identified two contracts – the sale of the Verdigre project in Nebraska and Yass Junction in NSW, both of which entitle Windlab to success fees calculated on a $/MW on financial close. The previous revenue standard treated these as sales in which the “risks and rewards of ownership” had not transferred, and retained the cost of the projects on the balance sheet as inventory. The new standard places more emphasis on change of control and as such the costs of the projects would have been taken to cost of sales at the time of the original transaction – 2016 or earlier. Therefore $2.9m adjustment to inventory into open retained earnings at 1 January 2018. It is important to note there is no P&L impact from that adjustment nor the new standard, and this is not an adjustment relating to fair value or recoverability of the assets. Both projects are now disclosed as contingent assets in the notes to the accounts and will be recognised as revenue when those milestone payments come through.

<Price>

So now looking forward to what to expect for the balance of the year the business will remain focused on five key elements;

1. Most importantly Lakeland Windfarm. Over the next couple of months, we will work with our equity partners to complete due diligence and definitive documentation; we will seek to complete final selection and detailed negotiation of debt arrangement and EPC contractors for Lakeland. We anticipate reaching financial close in late September, or early October, but I would note it is subject to FIRB approval for the InfraRed equity investment.

2. Big Kennedy. We will shortly receive the final environmental study reports needed to complete the preparation of the full development application and remain focused on submitting this before the end of this year. Based on the information in-hand to date the project will be compliant with the Qld Gov’t Wind Farm guidelines and will be code assessable. We therefore anticipate no more than a 6 months approval process.

3. During June we were excited to receive approval for the first ever wind farm in Tanzania. Miombo Hewani is approved for up to 300MW of capacity but likely to be in the first stage of 100MW. Miombo has an exceptional wind resource, potentially in excess of a 60% capacity factor with the added benefit of the resource being heavily biased towards the dry season; which is important when you recognise that most of Tanzania’s existing power comes from hydro. With an approval in place the African team have commenced PPA negotiations with the Gov’t owned utility, Tanesco as well as holding multiple preliminary discussions with potential financiers.

4. In South Africa, the Gov’t under the new President, have re-started the stalled renewable energy procurement program by announcing another bidding round for up to 1,800MW of wind and solar capacity. The tender details are yet to be released, but we are hopeful that the bid will be called before year end. Windlab will have up to 5 projects, consisting of over 600MW of capacity available for bidding into the planned reverse auction.

5. Finally, Windlab will keep doing what it does best. We will use our technology based competitive advantage to find new wind farm opportunities in our selected markets and seek to develop them rapidly and efficiently; bring more industry leading renewable projects into operation.

We'd like to invite questions. Please state your name and organisation before your question.

<Questions>

<Sean Kiriwan from Moelis>

Congrats on the result. Just on the Kennedy Project, is there any update on the status of the grid connection?

<Price>

There hasn't been a lot announced. Power Link, the government owned utility ran an EOI late last year and compiled an initial report for the State Government. The State Government committee has considered that report and as I understand it, they have sent Power Link away to do some more network studies, but we do not have any further update to take.

<Sean>

What do you think the timing of getting some sort of response, is that going to be the back end of this year or early next?

<Price>

Well as we have learnt from politics in the last few days it is always difficult to predict but I would hope we would get some guidance from them before the end of the year. From our point of view one of the things important to us is to break the chicken and egg nexus between the transmission line and the project and so we made the decision some time ago to get the project approved which I think just ultimately provides more impetus for everyone to then start to concentrate on transmission. We cannot control the Government, but we can potentially apply some leverage and influence. That is what we are seeking to do.

<Sean>

And with the Tanzania project it is approved ready to go, what in terms of news flow can we expect from that project and ultimately with financial close, is that going to be calendar year 19 or calendar year 20 deliverable?

<Price>

Financial close will be hard to predict. Being the first project to ever be approved in Tanzania, it also means none have ever been financed before. There is history with conventional thermal IPPs being financed so we do know that private projects can be financed in Tanzania. The thing to watch of course is the progress we make with Tanesco and the Government around the PPA, that is most probably the key issue. Based on preliminary discussions at least, there was significant international interest in supporting these sorts of projects in Eastern Africa and if we've got a high-quality approved project with a PPA, then I believe it will come to pass. Over the next couple of months I think the thing to watch is our progress towards a PPA.

<Sean>

A final one from one, Rob you said you were looking to refinance debt facilities. What is the expected cash burn for the second half relative to the $8m cash balance and potentially looking to refinance that facility and when is that facility due to expire?

<Fisher>

We will continue to explore options to refinance or extend well in advance of that date.

<Sean>

That was $2.9m, the debt facility?

<Fisher>

In real numbers yes.

<Sean>

And cash burn at the moment for running the business?

<Price>

In closing Lakeland as we anticipate, assuming all goes to plan, I think we will be healthily cash flow positive in the second half.

<Sean>

Thanks Rob, thanks Roger.

<Mark Fraser>

Can you just say something about how dependent your existing and future Australian projects are on the LGC.

<Price>

Very interesting question. I think the reality is that projects are becoming less and less dependent on LGC's and this isn't just Windlab but all projects. I would note, of course, that a project with higher capacity factor has an ability to create more energy, therefore producing electricity which is more cost competitive. All projects, or I should say all new projects are becoming less and less dependent on LGC's. At the moment they only need to contribute a very small amount of revenue. Going forward, and I suspect as we move in to the next decade, we expect technology to continue to drive down the price of renewable energy and so LGC's in the medium term, beyond 2020 I'm not sure that they will be required.

<Mark>

Do you anticipate that beyond 2021 the value of LGC's in the spot market will be pretty much reduced or diminish greatly by then?

<Price>

Yes, they will diminish greatly but of course it is not a perfect market and there will be liquidity requirements so there will still be some value attached to LGC's is our house view, our opinion. But they will come down significantly from where they are at the moment and I think most people are planning on that basis.

<Mark>

Ok, thank you very much.

<Giles Parkinson>

If you are not going to be relying on LGC's going forward what are you going to be relying on in terms of policy? State based targets, federal targets or is corporate demand going to get us there?

<Price>

I wouldn't even venture to predict what is going to happen at a federal policy level. I think what we are seeing happening in the market is two things. We are seeing States take initiative to look after their own supply and whether that is supporting rooftop like Victoria recently announced, or whether it is the 50% renewable energy target in Queensland, I think the States need to take the initiative to drive their own programs because clearly, as a nation, we have failed to be able to put together a coherent federal policy for 15 years. So I think State action will be one thing, and we are also quite optimistic about the nascent but growing demand for corporate PPA's; we also operate in the United States so have some exposure to that market and we see a very large share of all wind farms and in fact solar projects financed in the US via corporate off take agreements, and I think we're starting to see that developed in Australia. With the ongoing uncertainty in the electricity sector, I think a lot of corporates will be looking at how they hedge that exposure and I suspect, they will be entering the contracting markets.

I think it will be those two things that drive the market going forward, it won't be federal policy.

<Aaron Spicer>

In relation to South Africa, what is the timing of the government over there to start putting offers out in to the market?

<Price>

We can't be certain, there is a couple of things that have happened and we were expecting to happen. So the first thing is that when Cyril Ramaphosa came to power in February and took over the presidency he immediately took a number of actions right across all the state owned enterprises and from the energy perspective he unblocked the long held PPA's that were in the market but not being signed. So that has all been done now and most of those projects have reached financial close.

Then in June, they announced the extra 1,800MW of capacity. We don't know the exact timing of when that bidding process will be run but the order of steps – the government will first release a review of their Integrated Resource Plan which is effectively a 20 year plan for their electricity sector, a bit like AEMO's recent ISP. That has gone through major rework in the last couple of months we believe it stripped out if not all, most of the proposed nuclear for the country which I think is beneficial for renewables. So the first step will be the release of that reviewed Integrated Resource Plan which has to be passed through Parliament. We expect that either this week or next and then we believe there will be some announcements as to the next bidding round beyond that. We are planning or expecting a bidding round in November but in all reality, it could be six months later than that, we just don't know at this stage.

<Aaron>

Thank you.

<Fisher>

Any further questions.

<Sean>

Just one last one from me. The US projects, is there any update on how that is progressing?

<Price>

As I mentioned at the beginning, we are in very advanced negotiations for the sale of the Greenwich project as planned. I think as most shareholders will recall, we have a slightly different model in the United States because of the production tax equity financing that is used for most projects, we tend to sell our projects at or slightly before financial close. We are in the final throws of negotiating the sale of the Greenwich Ohio project at the moment and if all goes to plan our shareholders could expect an announcement about that in the near term.

<Fisher>

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.