

Windlab Limited

ABN 26 104 461 958

Interim Financial Statements For the half-year ended 30 June 2017



Level 4
60 Marcus Clarke Street
Canberra ACT 2601
AUSTRALIA

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8
1 Nature of operations	8
2 General information and basis of preparation	8
3 Significant accounting policies	8
4 Estimates	8
5 Significant events and transactions	8
6 Segment reporting	9
7 Inventory	10
8 Earnings per share	10
9 Dividends	10
10 Investments	11
11 Contingent asset	11
12 Events after the reporting date	11
Directors' Declaration	12
Independent Auditor's Review Report	13

Corporate information

ABN 26 104 461 958

Directors

Roger Price- Executive Chairman and Chief Executive Officer

Joseph O'Brien- Independent Non-Executive Director

Pippa Downes- Independent Non-Executive Director (appointed 28 July 2017)

Charles Macek- Independent Non-Executive Director (appointed 28 July 2017)

John Cooper- Independent Non-Executive Director (appointed 28 July 2017)

Michael Quinn- Independent Non-Executive Director (resigned 28 July 2017)

Aaron Spicer- Independent Non-Executive Director (resigned 28 July 2017)

Company Secretary

Robert Fisher

Registered Office

Level 4, 60 Marcus Clarke Street

Canberra ACT 2601

Australia

Principal Place Of Business

Level 4, 60 Marcus Clarke Street

Canberra ACT 2601

Australia

Phone: 61 2 6175 4600

Share Register

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street

Sydney NSW 2000

Solicitors

DibbsBarker

Level 8, 123 Pitt Street

Sydney NSW 2000

Bankers

Commonwealth Bank

Level 1, Bank House Cnr London Circuit & Ainslie Ave

Canberra ACT 2601

Auditors

Grant Thornton Audit Pty Ltd

Level 17, 383 Kent Street

Sydney NSW 2000

Directors' Report

The Directors of Windlab Limited (Windlab) present their Report together with the financial statements of the Consolidated Entity, being Windlab Limited ('the Company') and its Controlled Entities ('the Group') for the half-year ended 30 June 2017.

Director details

The following persons were Directors of Windlab during or since the end of the financial half-year:

- Roger Price
- Joseph O'Brien
- Pippa Downes (appointed 28 July 2017)
- Charles Macek (appointed 28 July 2017)
- John Cooper (appointed 28 July 2017)
- Michael Quinn (resigned 28 July 2017)
- Aaron Spicer (resigned 28 July 2017)

Review of operations and financial results

The first half of 2017 shows project revenue from the sale of a number of contractual interests in projects in the Eastern Cape of South Africa, with increasing asset management and operating revenue. Operating costs increased in line with the expansion of the business, and project costs relating to earlier stage development were also higher than 2016. Finance costs were higher as interest was not capitalised to the South African portfolio following its impairment in late 2016, and additional interest was incurred on the December 2016 convertible note. The Group had positive operating cashflow before finance costs for the first half of 2017.

The outlook for the second half of 2017 remains positive, with the announcement of Coopers Gap Wind farm financial close by AGL on 17 August, which contractually entitles Windlab to receive a success fee in the order of \$10.27M. The Group also retains a strong cash position and, with an IPO, conversion of debt, and capital raising in August 2017 is well placed to fund ongoing operations.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 2 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors:



Roger Price
Director

Dated the 31th day of August 2017



Joseph O'Brien
Director

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Sydney NSW 2000

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Auditor's Independence Declaration To the Directors of Windlab Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Windlab Limited and its controlled entities for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S M Coulton
Partner - Audit & Assurance

Sydney, 31 August 2017

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2017**

	Notes	30 June 2017	30 June 2016
		\$	\$
Revenue	6	5,457,024	1,264,799
Other income	6	460,128	317,208
Share of (loss)/profit from associates- operating projects	6, 10	(13,710)	153,655
Project expenses		(618,895)	(145,372)
Employee benefits expenses		(2,236,999)	(1,841,196)
Administration expenses		(1,548,474)	(657,527)
EBITDA		1,499,074	(908,433)
Depreciation and amortisation expenses		(82,834)	(152,510)
EBIT		1,416,240	(1,060,943)
Finance costs		(683,464)	(50,575)
Profit/(loss) before tax	6	732,776	(1,111,518)
Tax (expense)/benefit		(85,733)	53,475
Profit/(loss) for the period		647,043	(1,058,043)
Other comprehensive income			
Exchange differences on translating foreign operations		(530,091)	(117,356)
Other comprehensive income for the period, net of tax		(530,091)	(117,356)
Total comprehensive income for the period, net of tax		116,952	(1,175,399)
Profit/(loss) for the period attributable to			
Owners of the parent		656,712	(1,058,043)
Non-controlling interest		(9,669)	-
		647,043	(1,058,043)
		30 June 2017	30 June 2016
		\$	\$
EARNINGS PER SHARE			
Basic earnings per share		0.08	(0.13)
Diluted earnings per share		0.02	(0.13)

The accompanying notes form part of these financial statements.

**Consolidated Statement of Financial Position
As at 30 June 2017**

	Notes	30 June 2017	31 December 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		7,836,199	8,593,153
Trade and other receivables		1,329,787	1,040,147
Inventory	7	5,759,952	5,301,815
Prepayments		455,915	167,551
TOTAL CURRENT ASSETS		15,381,853	15,102,666
NON-CURRENT ASSETS			
Property, plant and equipment		380,414	304,312
Investments	10	14,129,055	13,882,765
Inventory	7	4,947,855	5,103,113
TOTAL NON-CURRENT ASSETS		19,457,324	19,290,190
TOTAL ASSETS	6	34,839,177	34,392,856
CURRENT LIABILITIES			
Trade and other payables		1,934,032	2,168,635
Interest bearing liabilities		9,325,090	-
Provisions		659,470	903,593
TOTAL CURRENT LIABILITIES		11,918,592	3,072,228
NON-CURRENT LIABILITIES			
Provisions		221,843	179,059
Interest bearing liabilities		6,256,160	15,008,230
Deferred tax liability		2,822,283	2,729,109
TOTAL NON-CURRENT LIABILITIES		9,300,286	17,916,398
TOTAL LIABILITIES	6	21,218,878	20,988,626
NET ASSETS		13,620,299	13,404,230
EQUITY			
Issued capital		19,034,110	19,015,610
Accumulated losses		(6,827,647)	(7,484,359)
Reserves		332,304	706,369
Capital and reserves attributable to owners of Windlab		12,538,767	12,237,620
Non-controlling interests		1,081,532	1,166,610
TOTAL EQUITY		13,620,299	13,404,230

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2017**

ATTRIBUTED TO THE EQUITY HOLDER OF THE PARENT

	Ordinary	Series A Preference Shares	Warrants	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Attributable to Owners of Parent	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 January 2017	935,744	18,072,784	7,082	(7,484,359)	401,637	304,732	12,237,620	1,166,610	13,404,230
Profit/(loss) for the period	-	-	-	656,712	-	-	656,712	(9,669)	647,043
Other comprehensive income	-	-	-	-	-	(454,682)	(454,682)	(75,409)	(530,091)
Total Comprehensive income	-	-	-	656,712	-	(454,682)	202,030	(85,078)	116,952
Issue of share capital	18,500	-	-	-	-	-	18,500	-	18,500
Share based payment charge	-	-	-	-	80,617	-	80,617	-	80,617
Balance at 30 June 2017	954,244	18,072,784	7,082	(6,827,647)	482,254	(149,950)	12,538,767	1,081,532	13,620,299

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2016**

ATTRIBUTED TO THE EQUITY HOLDER OF THE PARENT

	Ordinary	Series A Preference Shares	Warrants	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Attributable to Owners of Parent	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 January 2016	935,744	18,072,784	7,082	(10,701,849)	357,421	(537,837)	8,133,345	1,074,335	9,207,680
Profit/(loss) for the period	-	-	-	(1,058,043)	-	-	(1,058,043)	-	(1,058,043)
Other comprehensive income	-	-	-	-	-	(95,455)	(95,455)	(21,901)	(117,356)
Total Comprehensive income	-	-	-	(1,058,043)	-	(95,455)	(1,153,498)	(21,901)	(1,175,399)
Share based payment charge	-	-	-	-	20,737	-	20,737	-	20,737
Balance at 30 June 2016	935,744	18,072,784	7,082	(11,759,892)	378,158	(633,292)	7,000,584	1,052,434	8,053,018

The accompanying notes form part of these financial statements.

**Consolidated Statement of Cash Flows
For the half-year ended 30 June 17**

	Notes	30 June 2017	30 June 2016
		\$	\$
OPERATING ACTIVITIES			
Receipts from customers		5,600,374	1,506,863
Payments to suppliers and employees		(3,798,693)	(2,196,661)
Payments for inventory		(1,102,633)	(780,418)
Interest received		26,271	2,207
GST received/(paid)		(362,972)	88,304
Finance costs		(706,798)	(432,001)
Net cash (used in) operating activities		(344,451)	(1,811,706)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(83,248)	(319,039)
Investments in associates		(260,000)	(152,078)
Net cash (used in) investing activities		(343,248)	(471,117)
FINANCING ACTIVITIES			
Proceeds from issue of share capital		18,500	-
Proceeds from borrowings		-	6,000,000
Repayments of borrowings		-	(3,950,628)
Net cash from financing activities		18,500	2,049,372
NET CHANGE IN CASH AND CASH EQUIVALENTS		(669,199)	(233,451)
Cash and cash equivalents, beginning of period		8,593,153	704,449
Effects of foreign exchange differences on cash and cash equivalents		(87,755)	(52,973)
CASH AND CASH EQUIVALENTS, END OF PERIOD		7,836,199	418,025

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1 Nature of operations

Windlab is an international renewable wind energy development company. The company participates in wind generation projects from inception through development, financing, construction and the asset management of operating wind farms.

Windlab currently has a geographically diverse development portfolio of forty eight projects. These projects are at various stages of development and represent an estimated total potential capacity of more than 7,000 MW. Ten of the projects, accounting for 1,333 MW of potential capacity hold development approvals, the majority of which are expected to commence construction over the next three to four years. In addition to its development pipeline, Windlab has equity interests in two projects in Australia from which it will derive equity distributions (Coonooer Bridge which commenced commercial operations in April 2016 and the Kiata Wind Farm which is expected to commence commercial operations in December 2017). It also has a commercial interest in a project in South Africa (West Coast One) from which it receives ongoing royalty payments. Windlab also currently performs asset management services for three projects in Australia (Coonooer Bridge, Ararat and Kiata).

2 General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 30 June 2017 and are presented in Australian Dollars, which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 31 August 2017.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2016.

5 Significant events and transactions

The Group lodged a prospectus with the Australian Securities and Investments Commission in respect of an initial public offering of ordinary shares in Windlab in early August 2017. The offer closed fully subscribed and raised \$25m in new capital. Immediately prior to the IPO all preference shares, convertible notes, and warrants over preference shares were converted to ordinary shares in accordance with the terms of those instruments and the Shareholders' Agreement, which terminated at that time. Ordinary shares were split on a 4:1 basis. Warrants over ordinary shares remain outstanding.

6 Segment reporting

A change was made to Windlab's operating segments for the half year to those described in the Group's last annual financial statements for the year ended 31 December 2016, being the geographical regions of Australia, Africa and North America. This was to better reflect the Group's operating and geographical structure and management reporting. The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

Six (6) months ended 30 June 2017	Corporate	Asset Management	Developments		Adjustments & Eliminations	Consolidated
	Australia	Australia	Australia	Africa	USA	
	\$	\$	\$	\$	\$	\$
Revenue						
External customer	118,578	1,135,887	232,159	3,970,400	-	5,457,024
Other revenue	340,676	20	17	118,899	516	460,128
Share of loss from associates	-	-	(13,710)	-	-	(13,710)
Inter-segment	421,694	-	-	-	-	(421,694)
Total revenue	880,948	1,135,907	218,466	4,089,299	516	5,903,442

**Results
Segment
Profit/(Loss) before
tax**

	(2,846,557)	294,074	78,397	2,882,345	(1,768,104)	2,092,621	732,776
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Six (6) months ended 30 June 2016	Corporate	Asset Management	Developments		Adjustments & Eliminations	Consolidated
	Australia	Australia	Australia	Africa	USA	
	\$	\$	\$	\$	\$	\$
Revenue						
External customer	478,932	540,629	201,420	42,226	1,592	1,264,799
Other revenue	317,163	5	3	37	-	317,208
Share of profit from associates	-	-	153,655	-	-	153,655
Inter-segment	397,144	-	-	-	-	(397,144)
Total revenue	1,193,239	540,634	355,078	42,263	1,592	1,735,662

**Results
Segment
Profit/(Loss) before
tax**

	(821,013)	(79,743)	350,781	(323,370)	(544,511)	306,338	(1,111,518)
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	Corporate	Asset Management	Developments		Adjustments & Eliminations	Consolidated
	Australia	Australia	Australia	Africa	USA	
	\$	\$	\$	\$	\$	\$

Assets

30 June 2017	20,082,675	1,122,656	17,874,882	900,001	9,714,716	(14,855,753)	34,839,177
31 December 2016	22,540,676	1,292,460	19,047,140	417,494	10,062,180	(18,967,094)	34,392,856

Liabilities

30 June 2017	22,815,407	284,530	1,406,406	7,314,994	16,408,039	(27,010,498)	21,218,878
31 December 2016	23,496,978	748,410	1,516,877	5,835,864	19,888,683	(30,498,186)	20,988,626

7 Inventory

The following tables show the movements in inventory:

	30 June 2017	30 June 2016
	\$	\$
Current inventory at cost	5,759,952	5,174,405
Non-Current inventory at fair value vales less cost to sell	4,947,855	9,764,103
Total Inventory as 30 June	10,707,807	14,938,508
Current Inventory		
Carrying amount 31 December	5,301,815	4,499,072
Additions during the year	735,120	575,096
Transfer from non-current inventory	32,080	-
Interest capitalised	12,007	100,237
Exchange differences	(321,070)	-
Carrying amount at 30 June	5,759,952	5,174,405
Non- Current Inventory		
Carrying amount 31 December	5,103,113	8,976,290
Additions during the year	5,437	381,293
Transfer to current inventory	(32,080)	-
Interest capitalised	56,586	347,697
Exchange differences	(185,201)	58,823
Carrying amount at 30 June	4,947,855	9,764,103

The South African Government's Renewable Energy Independent Power Producers Procurement Program (REIPPPP) after initial success has experienced significant delays in both announcing successful projects and seeing those projects reach financial close. These delays create material uncertainty about the likely timing of realisation of the Group's remaining South African projects, despite medium term market fundamentals supporting the projects' value. So long as this uncertainty persists the Company believes it is prudent to treat all South African projects as fully impaired as of 31 December 2016. Impairment for these projects, amounted to \$4,401,019 and was recognised in Group's last annual financial statements for the year ended 31 December 2016. The Company will revisit this approach at each future balance date.

8 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit or loss attributable to shareholders of the Parent Company (Windlab) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 30 June 2017 and 30 June 2016. Diluted earnings per share is calculated using a weighted average number of shares reflecting the conversion and split of shares that occurred post balance date in connection with the company's IPO.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Six (6) months to 30 June 2017 No.	Six (6) months to 30 June 2016 No.
Weighted average number of shares used in basic earnings per share	7,907,416	7,907,416
Weighted average number of shares used in diluted earnings per share	60,665,333	7,907,416 ^(A)

(A) Potential ordinary shares excluded on the basis they would be anti-dilutive.

9 Dividends

No dividends were paid or payable in the current or prior period.

10 **Investments**

(a) **Interests in investments, associates and joint ventures**

Set out below are the associates and joint arrangements of the Group as at 30 June 2017:

Investments, Associates and Joint Ventures	Country of Incorporation	Ownership interest %		Principal activities
		30 June 2017	30 June 2016	
Kennedy Energy Park Pty Ltd	Australia	50%	50%	Renewable Energy Development
Kiata Wind Farm Holdings Pty Ltd	Australia	25%	100%	Renewable Energy Generation
CBWF Holdings Pty Ltd	Australia	3.50%	16.23%	Renewable Energy Generation

(b) **Summarised financial information**

	Investments	Associates	Joint Ventures
	CBWF Holdings Pty Ltd (A)	Kiata Wind Farm Holdings Pty Ltd	Kennedy Energy Park Pty Ltd
	\$	\$	\$
Carrying amount as at 31 December 2016	522,372	11,283,209	2,077,184
Share of net (losses)	-	-	(13,710)
Acquisition of additional interest	-	-	260,000
Carrying amount as at 30 June 2017	522,372	11,283,209	2,323,474
Carrying amount as at 31 December 2015	2,399,321	-	1,680,137
Share of net profits	153,655	-	-
Share of other comprehensive income	(27,922)	-	-
Acquisition of additional interest	-	-	180,000
Carrying amount as at 30 June 2016	2,525,054	-	1,860,137

(A) In September 2016, the Group reduced its ownership interest in CBWF Holdings Pty Ltd (which owns 100% of Coonoor Bridge Wind Farm Pty Ltd) from 16.23% to 3.5%. The investment was reclassified from an investment in associate to an investment at cost, and equity accounting ceased at that time.

11 **Contingent asset**

Windlab is contractually entitled to receive success fees in relation to the Coopers Gap Wind Farm owned by AGL, when the project reaches financial close. At 30 June, the Directors estimated the success fees to be \$10.27M but did not have sufficient certainty regarding the occurrence or timing of financial close or project size to justify recognising revenue from the contract. Financial close occurred on 17 August 2017. No adjustment has been made to the half year accounts.

12 **Events after the reporting date**

The group lodged a prospectus with the Australian Securities and Investments Commission in respect of an initial public offering of ordinary shares in Windlab in early August 2017. The offer closed fully subscribed and raised \$25m in new capital. Immediately prior to the IPO all preference shares, convertible notes, and warrants over preference shares were converted to ordinary shares in accordance with the terms of those instruments and the Shareholders' Agreement, which terminated at that time. Ordinary shares were split on a 4:1 basis. Warrants over ordinary shares remain outstanding.

Coopers Gap Wind Farm, which is owned by AGL, reached financial close on 17 August 2017. The attainment of this milestone contractually entitles Windlab to receive a success fee. Refer to Note 11 for further details.

Directors' Declaration

In the opinion of the Directors of Windlab Limited:

- a The consolidated financial statements and notes of Windlab Limited are in accordance with the *Corporations Act 2001*, including:
 - i Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Roger Price
Director

Dated the 31th day of August 2017



Joseph O'Brien
Director

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Independent Auditor's Review Report To the Members of Windlab Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Windlab Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Windlab Limited does not give a true and fair view of the financial position of the consolidated entity as at 30 June 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our

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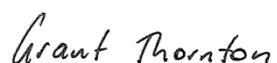
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attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the *Corporations Act 2001*. As the auditor of Windlab Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S M Coulton
Partner - Audit & Assurance

Sydney, 31 August 2017