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ASX RELEASE

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30 April 2020

WINDLAB LIMITED – SCHEME BOOKLET

Windlab Limited (ASX:WND, "Windlab", the "Company") confirms that the Scheme Booklet in relation to the acquisition of all of Windlab's shares by Wind Acquisition 2 Pty Ltd by way of scheme of arrangement (**Scheme**) has today been registered with the Australian Securities and Investments Commission.

This follows the Supreme Court of New South Wales approving the despatch of the Scheme Booklet to Windlab shareholders and the convening of a meeting of Windlab shareholders (**Scheme Meeting**) to vote on the Scheme.

The Scheme Meeting will be held electronically on Friday, 5 June 2020 at 10.30am (Sydney time).

A copy of the Scheme Booklet, including the Independent Expert's Report, proxy form and Notice of Meeting are **attached** to this announcement and will be despatched to Windlab shareholders on Tuesday, 5 May 2020.

All Windlab shareholders are encouraged to vote either by attending the Scheme Meeting virtually or by lodging proxy forms with the Windlab share registry by 10.30am on Wednesday 3 June 2020. Details of how to vote and lodge a proxy form are included in the Scheme Booklet and the Notice of Meeting.

Windlab shareholders who have elected to receive communications electronically will receive an email with links to where they can download the Scheme Booklet and lodge proxies online. Shareholders who have not made such an election will be mailed a printed copy of the Scheme Booklet and proxy forms.

Windlab shareholders can obtain further information in relation to the Scheme by calling the Windlab shareholder information line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia).

Ends

About Windlab Limited:

Windlab Limited (ASX:WND) is a publicly listed international wind energy development company initially established to commercialise world-leading atmospheric modelling and wind mapping technology (WindScape™) developed at Australia's CSIRO. Windlab uses this proprietary technology to identify and develop high quality wind farm sites reducing the risk and uncertainty

associated with wind development. Windlab is headquartered in Canberra, Australia and has offices across Australia, Southern Africa and North America. More than 1,000MW of wind farm capacity, on three continents, developed by Windlab has reached financial close and is today either operating or under construction. It is developing 50 renewable energy projects, totalling over 7,500MW of potential capacity around the world.

Authorised by the Board: For further information please contact:

Roger Price
Executive Chairman
+61 2 6175 4600

Rob Fisher
Chief Financial and Operating Officer
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windlab

WINDLAB LIMITED
ABN 26 104 461 958

Scheme Booklet

For the scheme of arrangement in relation to the proposed acquisition of Windlab by Wind Acquisition 2 Pty Ltd

Your Directors **UNANIMOUSLY** recommend that you **vote in favour** of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.

The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is **fair and reasonable** and therefore in the **best interests** of Scheme Shareholders.

VOTE IN FAVOUR

SCHEME MEETING: Time – 10.30am; Date – Friday, 5 June 2020

In light of the Coronavirus (COVID-19) situation, the Scheme Meeting will be held virtually. There will not be a physical meeting where Windlab Shareholders can attend.

Eligible Windlab Shareholders who wish to participate in the Scheme Meeting may do so online or may listen to the meeting by tele-conference. Windlab encourages all eligible Windlab Shareholders to submit their votes by proxy prior to the close of proxy submissions on 10.30am on Wednesday 3 June 2020.

Further details relating to the Scheme Meeting are set out in Section 5 of this Scheme Booklet and in the Notice of Meeting set out at Annexure C.

This Scheme Booklet is an important document and requires your immediate attention. You should read it in its entirety and consider its contents carefully before deciding how to vote. If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser.

This Scheme Booklet has been sent to you because you are shown in the Windlab Share Register as holding Windlab Shares. If you have sold all of your Windlab Shares, please disregard this Scheme Booklet.

If you have any questions about this Scheme Booklet or the Scheme, please call the Windlab Shareholder Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia).

Financial Advisor:

MOELIS AUSTRALIA

Legal Advisor:

大成 DENTONS

Important Notices

General

This Scheme Booklet is an important document and requires your immediate attention. You should read it in its entirety and consider its contents carefully before deciding how to vote. If you are in doubt as to what you should do, please consult your legal, financial, tax or other professional adviser.

Purpose of this Scheme Booklet

This Scheme Booklet provides Windlab Shareholders with information about the proposed acquisition of all Windlab Shares by Wind Acquisition 2 Pty Ltd (**Bidder**) by way of a scheme of arrangement between Windlab and the Scheme Shareholders. This Scheme Booklet:

- explains the terms and effects of the Scheme to Windlab Shareholders;
- explains the manner in which the Scheme will be considered, approved and implemented;
- states any material interests of the Windlab Directors, whether as directors, shareholders or creditors of Windlab or otherwise, and the effect on those interests of the Scheme, as far as that effect is different from the effect on like interests of other persons;
- provides the information that is prescribed by the Corporations Act and the Corporations Regulations or is otherwise material to the decision of Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all of your Windlab Shares, please disregard this Scheme Booklet.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 12 of this Scheme Booklet.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any individual Windlab Shareholder or any other person. Before making any investment decision in relation to this Scheme, you should consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.

This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent financial, legal, taxation or other professional advice should be sought before making your decision in relation to your Windlab Shares and the Scheme.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Windlab Shareholders, or a solicitation of an offer from Windlab Shareholders, in any jurisdiction.

Regulatory information

This document is the explanatory statement for the scheme of arrangement between Windlab and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet at Annexure B. A copy of this Scheme Booklet (including the Independent Expert's Report) was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Windlab Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Scheme Shareholders should vote (on this matter, Scheme Shareholders must reach their own decision); or
- has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notice of the Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure C.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Windlab Shareholder may appear at the Second Court Hearing, expected to be held at 9.15am (Sydney time) on Friday, 12 June 2020 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

Any Windlab Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Windlab a notice of appearance in the prescribed form together with any affidavit that the Windlab Shareholder proposes to rely on.

Responsibility statement

Windlab has been solely responsible for preparing Windlab Information. Windlab Information concerning Windlab and the intentions, views and opinions of Windlab and the Directors contained in this Scheme Booklet has been prepared by Windlab and the Directors and is the responsibility of Windlab. The Bidder and its directors, officers or advisers do not assume any responsibility for the accuracy or completeness of any Windlab Information or the Independent Expert's Report (or any information contained therein).

The Bidder has been solely responsible for preparing the Bidder Information. The Bidder Information concerning the Bidder and the intentions, views and opinions of the Bidder and the board of directors of the Bidder contained in this Scheme Booklet have been prepared by the Bidder and the board of directors of the Bidder and is the responsibility of the Bidder. Windlab Group Members and their respective directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any Bidder Information or the Independent Expert's Report (or any information contained therein).

The Independent Expert has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure D. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Independent Expert's Report.

The Windlab Registry (Computershare Investor Services Pty Limited ACN 078 279 277) has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Windlab Registry. The Windlab Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Windlab or the Bidder's objectives, plans, goals or expectations are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Windlab's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward-looking statements.

The operations and financial performance of Windlab are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Windlab and/or the Bidder. Those risks and uncertainties include factors and risks specific to the industry in which Windlab operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results, operations and earnings of Windlab (whether or not the Scheme is implemented), as well as the actual advantages or disadvantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved. Windlab Shareholders should note that the historical financial performance of Windlab is no assurance of future financial performance of Windlab (whether the Scheme is implemented or not).

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although Windlab believes that the views reflected in any forward-looking statements included in Windlab Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Although the Bidder believes that the views reflected in any forward-looking statements included in the Bidder Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the Windlab Group, the Bidder Group, the Windlab Group's officers, the Bidder Group's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to any member of the Windlab Group or any member of the Bidder Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, the Windlab Group and the Bidder Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Privacy

Windlab and its agents and representatives may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Windlab Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Windlab to conduct the Scheme Meeting and to implement the Scheme. Personal information of the type described above may be disclosed to the Windlab Registry, print and mail service providers, authorised securities brokers, the Bidder, Windlab and their respective Related Parties, advisors and service providers. Windlab Shareholders have certain rights to access personal information that has been collected. Windlab Shareholders should contact the Windlab Registry in the first instance, if they wish to access their personal information. Windlab Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

References to times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions. The Conditions are summarised in Section 3.2(a) of this Scheme Booklet and set out in full in clause 3 of the Scheme Implementation Agreement.

Rounding and currency

The calculation of figures, amounts, percentages, estimates, prices, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. Any discrepancies between the total and the sum of all the individual components in any table contained in this Scheme Booklet is due to rounding.

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian currency and all share prices and trading volumes refer to ordinary shares in Windlab trading on the ASX.

External websites

Unless expressly stated otherwise, the content of Windlab's website does not form part of this Scheme Booklet and Windlab Shareholders should not rely on any content of its website.

Date of this Scheme Booklet

This Scheme Booklet is dated 30 April 2020.

Contents

Key Dates and Expected Timetable for the Scheme

Event	Date and time
Last time and date for receipt of proxy forms, powers of attorney or certificates of appointment for body corporate representatives for the Scheme Meeting	10.30am (Sydney time) Wednesday, 3 June 2020
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm (Sydney time) Wednesday, 3 June 2020
Scheme Meeting for approval of the Scheme by Scheme Shareholders **In light of the Coronavirus (COVID-19) situation, the Scheme Meeting will be held virtually. There will not be a physical meeting where Windlab Shareholders can attend.** **Further details relating to the Scheme Meeting are set out in Section 5 of this Scheme Booklet, the Notice of Meeting set out at Annexure C and Windlab's website.**	10.30am (Sydney time) Friday, 5 June 2020
Second Court Hearing for approval of the Scheme by the Court	Friday, 12 June 2020
Effective Date – Scheme Order lodged with ASIC, and last day of trading in Windlab Shares on the ASX (with Windlab Shares suspended from close of trading)	Monday, 15 June 2020
Scheme Record Date for determining entitlement to receive payment of the Scheme Consideration	7.00pm (Sydney time) Friday, 19 June 2020
Implementation Date – payment of the Scheme Consideration to Scheme Shareholders, and transfer of Scheme Shares to the Bidder	Friday, 26 June 2020

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions. Windlab reserves the right to vary the times and dates set out above. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and notified on Windlab's website at www.windlab.com.

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Windlab Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy vote online. The Scheme Booklet will also be available for viewing and downloading through the ASX website (www.asx.com.au) and through the Windlab website (www.windlab.com).

Letter from the Windlab Lead Independent Director

30 April 2020

Dear Windlab Shareholder

Recommended Scheme of Arrangement

On behalf of the Board of Directors of Windlab Limited (**Windlab**), I am pleased to provide this Scheme Booklet, which contains important information for your consideration about the proposed acquisition of Windlab by Wind Acquisition 2 Pty Ltd (**Bidder**), an investment vehicle indirectly owned by funds managed by Federation Asset Management Pty Ltd (**Federation**) and Squadron Energy Pty Ltd (**Squadron Energy**) via a Scheme of Arrangement, which is a commonly used legal procedure in Australia to enable one company to acquire another company.

The purpose of the Scheme Booklet is to provide you with information about the Scheme to assist you in voting on the Scheme at the Scheme Meeting.

Your Windlab Directors consider that the Scheme presents an opportunity for Windlab Shareholders (other than any Excluded Shareholders) to realise the value of their investment in Windlab at an attractive premium relative to Windlab's trading price prior to the announcement of the Bidder's proposal, in the absence of a Superior Proposal.

Further, your Windlab Directors consider that the Scheme provides Scheme Shareholders with certainty as to (1) the value of their investment in Windlab and (2) the timing for the receipt of the cash consideration provided by the Bidder, especially in light of the current global COVID-19 pandemic and market volatility, and corresponding impact this may have on Windlab's ability to raise third party debt and equity to bring its development projects to financial close.

Holding of the Scheme Meeting

In light of the Coronavirus (COVID-19) situation, the Scheme Meeting will be held virtually. **There will not be a physical meeting where Windlab Shareholders can attend.**

Scheme Shareholders will be provided with various alternatives in order to participate in the Scheme Meeting, including the ability to ask questions online. Further details relating to the Scheme Meeting, including how to vote are set out below and also in Section 5 of this Scheme Booklet, the Notice of Meeting set out at Annexure C and Windlab's website at www.windlab.com.

Overview of the transaction and the total consideration

On 4 March 2020, Windlab announced that it had entered into a Scheme Implementation Agreement in relation to the proposal for the Bidder to acquire 100% of Windlab Shares on issue. The proposed acquisition will be affected via a Scheme, subject to Scheme Shareholder and Court approval, and certain other Conditions.

If the Scheme is to be implemented, Scheme Shareholders will receive the Scheme Consideration of $1.00 per Windlab Share, which represents a premium of:

- 38.9% premium to the closing share price of Windlab shares on ASX of $0.72 on 17 January 2020[1];
- 40.1% premium to the 30 trading day VWAP of $0.71 per share[2];
- 33.2% premium to the three-month VWAP of $0.75 per share[2];
- 30.0% premium to the six-month VWAP of $0.77 per share[2]; and
- 12.0% to the twelve-month VWAP of $0.89[2].

1. Being the last trading day prior to the announcement of the initial proposal received from Federation to the market on 20 January 2020.
2. VWAP means the volume weighted average price of Windlab's shares based on cumulative trading volume and value up to and including 17 January 2020.

The premia above are all relative to calculations of the price of Windlab Shares for periods prior to the effect of the current global COVID-19 pandemic on equity markets. The Scheme Consideration of $1.00 per Windlab Share has not been affected by or renegotiated as a result of the effect of COVID-19, including its effects on equity markets.

Holders of Windlab Convertible Securities comprising holders of Windlab Warrants, Windlab Options and Windlab Performance Rights will also receive Convertible Scheme Consideration which will be dependent on the terms of Convertible Securities (including the time to maturity) as detailed in Section 3.2(b) of this Scheme Booklet.

The total Scheme Consideration implies a fully diluted market capitalisation of approximately $69.6 million for Windlab and an enterprise value of approximately $67.1 million[3].

Windlab Directors' Recommendation

The Windlab Directors have considered the merits of the Scheme (including the Scheme Consideration), and unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders. Subject to this, each of the Windlab Directors intend to vote, or cause to be voted, all Windlab Shares in which they have a Relevant Interest in favour of the Scheme Resolution.

Your Directors believe that the Scheme Consideration is fair, considering Windlab's existing business operations and the risk profile of the development activities, particularly in light of recent credit and equity markets conditions which may potentially have the impact of delaying some nearer term projects reaching financial close or reducing the return that Windlab is able to achieve upon financial close. The Scheme also provides certainty of cash proceeds for Scheme Shareholders in the near term which may not be achieved if the Scheme does not proceed.

After carefully considering the alternative strategic options available to Windlab to maximise shareholder value, Windlab Directors consider that the certainty of the all cash Scheme Consideration provides an attractive alternative to holding onto your Windlab Shares, as the strategic options available to Windlab may take some time to realise and will be subject to various risks and uncertainties.

Federation and Squadron Energy have also provided Windlab with a $20 million subordinated debt facility as announced to the ASX on 31 March 2020. The availability of funding under the debt facility agreement is not conditional on Scheme Shareholders approving the Scheme.

Reasons to vote in favour of the Scheme Resolution are set out in detail in Section 4.2. There are also a number of reasons why you may choose to vote against the Scheme Resolution which are set out in Section 4.3.

You should note when considering this recommendation that the Windlab Non-Executive Directors (Joseph O'Brien, Pippa Downes and Charles Macek) were issued Windlab Options under the Windlab Employee Share Option Plans (**Windlab ESOPs**) prior to the time of Windlab's initial public offering (**IPO**). These Windlab Directors will receive a benefit if the Scheme proceeds, in the sense that their Windlab Options will be cancelled as a result of all Windlab Options granted under the Windlab ESOPs being cancelled. Most Windlab Options are held by employees as a part of their remuneration and to provide a long-term incentive. Some of the Windlab Options are "in the money" whilst some are not. The Windlab Options held by the Windlab Non-Executive Directors' amount to less than 7% of granted options under the Windlab ESOPs and they will collectively receive $62,018 if the Scheme becomes Effective.

3. Implied market capitalisation of $69.6 million is based on the Scheme Consideration of $1.00 per Windlab Share multiplied by the current shares on issue of 68.2 million plus the total consideration of approximately $1.4 million in relation to the Windlab Convertible Securities. Implied enterprise value of $67.1 million includes Windlab net cash of $5.7 million (debt of $9.8 million less cash of $15.5 million) and minority interests of $3.2 million as at 31 December 2019. As disclosed in Section 6.6.5 of this Scheme Booklet, Windlab entered into a $20 million subordinated loan facility announced to the ASX on 31 March 2020, and an initial drawdown of $7.6 million was made by Windlab under the facility on or about 23 April 2020. As at the date of this Scheme Booklet, other than to pay fees associated with the loan, no funds drawn under the subordinated debt facility have been deployed.

The Windlab Non-Executive Directors are of the view that these amounts have not had any effect on their recommendation that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.

You should also specifically note the interests of Roger Price, the Executive Chairman and Chief Executive Officer of Windlab who will also receive consideration for the cancellation of Windlab Options, Windlab Performance Rights and Windlab Warrants held by him. The aggregate consideration that Roger Price will receive for the cancellation of his Windlab Convertible Securities is $321,780. Further details are set out in Sections 4.2(a) and 11.1 of this Scheme Booklet.

Full details of the interests of the Windlab Directors and key management personnel in Windlab Shares and Windlab Convertible Securities as at the date of this Scheme Booklet are set out in Sections 11.1 and 11.4 of this Scheme Booklet.

Independent Board Committee

Given the potential for a real or perceived conflict of interest relating to Roger Price's interests, the Independent directors met and concluded that an independent, non-executive board committee should be formed to oversee and manage the proposed Scheme. This independent board committee was formed on 20 January 2020 and consisted of myself as Chairperson, Joseph O'Brien and Geoff Cairns of Denton's Lawyers. The independent board committee consulted on all negotiations with the Bidder and Bidder Consortium and continue to have overall oversight of the Scheme.

Independent Expert's Report

Your Directors appointed KPMG Corporate Finance a division of KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert. The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Scheme Shareholders in the absence of a Superior Proposal. The Independent Expert has assessed the full underlying value of Windlab at between $0.68 and $1.00 per Windlab Share. The Scheme Consideration of $1.00 is at the high end of this valuation range.

The independent Expert's Report is included as Annexure D to this Scheme Booklet.

How to Vote

The Scheme needs to be approved by at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting, and a majority in number (i.e. more than 50%) of Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) present and voting (whether in person or by proxy, attorney or corporate representative).

The Scheme Meeting is scheduled to be held at 10.30am on Friday, 5 June 2020. Due to the current COVID-19 outbreak, Windlab Shareholders will not be able to attend the meeting in person. If you wish to participate in the Scheme Meeting you may do so:

- online at https://web.lumiagm.com;
- using the Lumi AGM app; or

You may listen to the Scheme Meeting by dial in tele-conference on (02) 8015 6011 (within Australia) or +61 2 8015 6011 (outside Australia) and use Meeting ID: 944 0224 4184. You will not be able to ask questions or vote on the tele-conference.

Further details of how to participate and vote in the Scheme Meeting are set out in Section 5 of the Scheme Booklet, the Notice of Meeting contained in Annexure C of the Scheme Booklet and Windlab's website at www.windlab.com.

Your vote is important in determining whether the Scheme proceeds. If the Scheme is not approved at the Scheme Meeting by the Requisite Majorities of Scheme Shareholders, the Scheme will not be implemented, and you will not receive the Scheme Consideration.

You may vote on the Scheme Resolution by participating in the Scheme Meeting either online or via the Lumi AGM app, or by appointing a proxy, attorney or body corporate representative to participate in the Scheme Meeting and vote on your behalf.

If you do not wish to or are unable to participate in the Scheme Meeting by one of the means available, I encourage you to vote on the Scheme Resolution by completing the personalised proxy form accompanying this Scheme Booklet and returning it to the Windlab Share Registry in one of the ways set out in Section 5.3 of this Scheme Booklet. To be valid, proxy forms must be received by the Windlab Registry by no later than 10.30am on Wednesday, 3 June 2020.

What to do next

This Scheme Booklet sets out important information regarding the Scheme, including the reasons why the Windlab Directors unanimously recommend Scheme Shareholders vote in favour of the Scheme, and the Independent Expert's Report.

You should read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

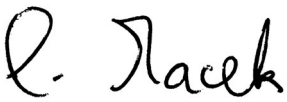
If you have any queries in relation to how the Scheme may affect your specific financial situation, investment objectives or other particular needs, you should consult your legal, financial, taxation or other professional adviser before making any decision in relation to your Windlab Shares and the Scheme.

If you have any questions regarding the Scheme, please contact the Windlab Shareholder Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time).

On behalf of the Windlab Board, I would like to reiterate our support for the Scheme.

I would also like to take this opportunity to thank you for your continued support of Windlab.

Yours sincerely



Charles Macek

1. Summary of the reasons to vote in favour of the Scheme Resolution and potential reasons why you may choose to vote against the Scheme Resolution

Summary of the reasons to vote in favour of the Scheme Resolution	
✓	**Directors' recommendation:** The Directors of Windlab unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders. In relation to the recommendation of Roger Price, Scheme Shareholders should have regard to the fact that, if the Scheme is implemented, Roger Price will become entitled to a material payment in consideration for the cancellation of unvested Windlab Convertible Securities held by him. Further details are set out in Section s 4.2(a) and 11.1 of this Scheme Booklet.
✓	**The Independent Expert's conclusion:** The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Scheme Shareholders, in the absence of a Superior Proposal.
✓	**Premium:** The Scheme Consideration of $1.00[4] represents an attractive premium for your Windlab Shares compared to the Windlab share price prior to the announcement of the Bidder's proposal.
✓	**Certainty:** The Scheme Consideration of $1.00 provides you with certainty as to the value of your Windlab Shares, and certainty of timing in relation to the receipt of the Scheme Consideration. It also removes exposure to risks and uncertainties associated with Windlab for Scheme Shareholders.
✓	**No Superior Proposal:** No Superior Proposal has emerged as at the date of this Scheme Booklet, and your Directors consider that given the Strategic Review undertaken and the current market conditions, a Superior Proposal is unlikely to emerge.
✓	**Fall in price of Windlab Shares:** The price of Windlab Shares is likely to fall if the Scheme is not implemented and no Superior Proposal emerges.
✓	**Brokerage:** No brokerage will be payable on the transfer of your Windlab Shares under the Scheme.

These reasons are discussed in more detail in Section 4.2 of this Scheme Booklet.

Summary of potential reasons why you may choose to vote against the Scheme Resolution	
✗	**Directors' recommendation or Independent Expert's conclusion:** You may disagree with your Directors' recommendation or the Independent Expert's conclusion.
✗	**Participation in potential upside:** If the Scheme is implemented, you will no longer participate in any potential upside that may result from being a Windlab Shareholder.
✗	**Future proposal:** Implementation of the Scheme will preclude the possibility of receiving the benefit of any future proposal for your Windlab Shares.
✗	**Tax consequences:** The tax consequences will depend on your own individual circumstances, and may not suit you.

These reasons are discussed in more detail in Section 4.3 of this Scheme Booklet.

4. Under the terms of the Scheme Implementation Agreement and the Scheme, the Scheme Consideration is $1.00 cash for each Windlab Share, less the amount of any dividend, return of capital or other distribution declared or paid by Windlab on or before the Implementation Date. All references in the Scheme Booklet to the Scheme Consideration should be read as being subject to this qualification. However, the Windlab Directors note that they have no intention of declaring or paying any such dividend, return of capital or other distribution on or before the Implementation date.

2. Frequently asked questions

Question	Answer	Reference
Overview of the Scheme		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a Windlab Shareholder and Windlab Shareholders (other than Excluded Shareholders) are being asked to vote on the Scheme, which, if approved, will result in the Bidder acquiring all of the Scheme Shares. This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed. If you have transferred all of your Windlab Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meeting.	See Cover Page and Important Notices.
What is the Scheme?	The Scheme is a scheme of arrangement, which is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company. The Scheme is between Windlab and the Scheme Shareholders and will affect the acquisition of Windlab by the Bidder. If the Scheme is approved and implemented, the Scheme Shareholders will receive the Scheme Consideration for each Scheme Share held on the Scheme Record Date and Windlab will become a wholly-owned subsidiary of the Bidder. A copy of the Scheme is contained in Annexure B.	See Section 3 and Annexure B.
Who are the Bidder, Squadron Energy and Federation?	The Bidder is an investment vehicle indirectly owned by funds managed by Federation and Squadron Energy. It was recently incorporated for the purpose of acquiring all of the Windlab Shares under the Scheme. Squadron Energy is an Australian based company focussed on exploration and development projects in natural resources, renewable energy and infrastructure sectors. It is privately owned and part of the Andrew Forrest led Minderoo Group of companies. Federation is an Australian based private equity firm that manages or advises funds which it invests in growing businesses and assets that meet a social and economic need, such as renewable energy, halt, education, real estate, healthcare and other sectors.	See Section 7.

2. Frequently asked questions (continued)

Question	Answer	Reference
Are there any conditions that must be satisfied or waived in order for the Scheme to be implemented?	There are certain Conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective. In summary, as at the date of this Scheme Booklet, the outstanding Conditions include: ◆ certain consents being received and notifications made under corporate debt facilities with the Clean Energy Finance Corporation before the Second Hearing Date; ◆ no Material Adverse Change occurring; ◆ Windlab has entered into Convertible Securities Deeds in respect of all Windlab Convertible Securities, providing for the cancellation of those securities; ◆ the Scheme being approved by Scheme Shareholders at the Scheme Meeting; and ◆ the Scheme being approved by the Court at the Second Court Hearing. The Conditions to the Scheme are summarised in Section 3.2(a) of this Scheme Booklet and set out in full in clause 3 of the Scheme Implementation Agreement, which was announced on 4 March 2020. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com. As at the date of this Scheme Booklet, the Directors are not aware of any reason why these Conditions should not be satisfied or waived (where capable of waiver).	See Section 3.2(a).
What do your Directors recommend?	Your Directors unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders. In relation to the recommendation of Roger Price, Scheme Shareholders should have regard to the fact that, if the Scheme is implemented, Roger Price will become entitled to a material payment in consideration of the cancellation of unvested Windlab Convertible Securities held by him. Further details are set out in Sections 4.2(a) and 11.1 of this Scheme Booklet.	See Sections 1, 4.1, 4.2(a), 11.1.

Question	Answer	Reference
How do your Directors intend to vote?	Your Directors intend to vote all the Windlab Shares that they own or control in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.	See Sections 4.1, 11.1.
What are the Windlab Convertible Securities and why will they be cancelled in connection with the Scheme?	Windlab has Windlab Options, Windlab Warrants and Windlab Performance Rights on issue. The Windlab Options are issued under the Windlab ESOPs. Windlab Options are held by employees and directors of Windlab. The Windlab Warrants were granted to providers of a convertible note prior to the initial public offering (**IPO**) of Windlab in return for various amendments to the terms of those convertible notes. Windlab implemented the Windlab Performance Rights Plan in 2019 in line with market convention to provide senior executives with remuneration that was tied to the long term performance of Windlab. The Bidder requires these Windlab Convertible Securities to be cancelled as part of the Scheme. The grant of Windlab Options and Windlab Performance Rights to employees has been a large part of the retention and incentivisation approach of the Windlab Board and made up a significant part of their remuneration. The Windlab Board has sought to provide fair and reasonable compensation to employees for the cancellation of the relevant Windlab Convertible Securities. As at 28 April 2020, Windlab had on issue: ◆ 3,962,000 Windlab Options; ◆ 1,410,668 Windlab Warrants[5]; and ◆ 561,210 Windlab Performance Rights. Accordingly, the Scheme is conditional on each holder of Windlab Convertible Securities entering into a binding Convertible Security Deed in relation to their Windlab Convertible Securities, under which the relevant holder agrees to have their Windlab Convertible Securities cancelled for the Convertible Security Consideration in respect of those Windlab Convertible Securities, subject to and conditional upon the Scheme becoming Effective.	See Sections 3.2(b).

5. There are 300,000 Windlab Warrants on issue with an exercise price of $2.00 and an expiry date of 4 May 2020. It is expected that these Windlab Warrants will expire and lapse in accordance with their terms prior to the Implementation of the Scheme.

2. Frequently asked questions (continued)

Question	Answer	Reference
What benefits are payable to Windlab Directors in connection with the Scheme?	Some Windlab Directors hold Windlab Shares and all Windlab Directors hold Windlab Convertible Securities. Those Windlab Directors that hold Windlab Shares are entitled to receive the Scheme Consideration for the Windlab Shares they hold, along with the other Scheme Shareholders. Each Windlab Non-Executive Director holds a small number of Windlab Options and as a result of the treatment of all Windlab Options they will also be paid consideration for the cancellation of those Windlab Options. All Windlab Options held by the Windlab Directors are being treated in exactly the same manner as Windlab Options held by employees. Roger Price will also become entitled to a material payment in consideration of the cancellation of Windlab Options and Windlab Performance Rights held by him. The Windlab Performance Rights held by Roger Price are being treated in exactly the same manner as Windlab Performance Rights held by other employees.	See Sections 3.2(b) and 11.1.
What is the Independent Expert's view of the Scheme?	The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Scheme Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of Windlab Shares at between $0.68 and $1.00. You should read the Independent Expert's Report in Annexure D in full before making a decision on how to vote on the Scheme.	See Annexure D.
Is the Windlab Board aware of another proposal?	As at the date of this Scheme Booklet, your Directors are not aware of any proposal, and are not in any discussions that could lead to a Superior Proposal. Your Directors consider that a Superior Proposal is unlikely to emerge.	See Sections 3.3, 4.2(d), 4.4(d).

Question	Answer	Reference
What happens if a Superior Proposal emerges?	During the Exclusivity Period, there is nothing preventing other parties from making unsolicited proposals for Windlab. Although Windlab has agreed to certain exclusivity provisions that restrict it from soliciting or inviting, or engaging with, the proponent of a proposal, these restrictions do not prevent Windlab from considering an unsolicited proposal that is or could reasonably be considered to become a Superior Proposal. The Bidder HoldCo has the right, but not the obligation, to match any such proposal. If a proposal for Windlab emerges prior to the Second Court Date, your Directors will carefully consider that proposal and will inform you of any material developments which may affect your Directors' view that the Scheme is presently the most favourable proposal for all your Windlab Shares. The Bidder HoldCo will be entitled to be paid a break fee of $700,000 (ex GST) in certain circumstances, including if the Scheme is terminated because a Superior Proposal emerges. Your Directors consider that a Superior Proposal is unlikely to emerge.	See Sections 4.4(d), 4.4(e).
Why you may consider voting in favour of the Scheme?	Reasons why you should consider voting in favour of the Scheme Resolution at the Scheme Meeting are set out in Section 4.2 of this Scheme Booklet.	See Section 4.2.
Why you may consider voting against the Scheme?	Reasons why you might consider not voting in favour of the Scheme Resolution at the Scheme Meeting are set out in Section 4.3 of this Scheme Booklet.	See Section 4.3.
How is the Bidder funding the Scheme Consideration?	The Bidder intends to fund the Scheme Consideration through the Equity Funding to be contributed by the Bidder Consortium Members.	See Section 7.7.
Who is entitled to participate in the Scheme?	Those Scheme Shareholders on the Register on the Scheme Record Date, which is expected to be 7.00pm (Sydney time) on Friday, 19 June 2020 (the fifth Business Day after the Effective Date), will be entitled to receive the Scheme Consideration in respect of the Windlab Shares they hold on that date.	See Section 10.3 and Annexure B.

What will Windlab Shareholders receive under the Scheme?

What will I receive if the Scheme is implemented?	The Scheme Consideration is $1.00 cash for each Windlab Share.	See Sections 3.1, 10.3.
When will I be paid the Scheme Consideration?	Payment of the Scheme Consideration will occur in accordance with the Scheme on the Implementation Date. The Implementation Date is currently expected to be Friday, 26 June 2020.	See Sections 3.2(c), 10.3.

2. Frequently asked questions (continued)

Question	Answer	Reference
How will I be paid?	Windlab will pay each Scheme Shareholder the Scheme Consideration by: ◆ sending (or arranging for the Windlab Registry to send) the payment to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Scheme Trust Account; or ◆ depositing (or arranging for the Windlab Registry to deposit) the payment into an account with any Australian Authorised Deposit Taking Institution notified to Windlab (or the Windlab Registry) before the Scheme Record Date by an appropriate authority from the Scheme Shareholder.	See Annexure B.
What obliges the Bidder and Bidder HoldCo to provide the Scheme Consideration?	The Bidder and the Bidder HoldCo have executed the Deed Poll pursuant to which they have undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective. A copy of the Deed Poll is contained in Annexure A.	See Section 10.2 and Annexure A.
Do I have to give any warranties in relation to Scheme Shares?	Yes. Each Scheme Shareholder will be deemed to have warranted to Windlab and the Bidder that all of their Windlab Shares will, at the Implementation Date, be fully paid and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Windlab Shares to the Bidder (together with all rights and entitlements attaching to such shares) and that they have no existing right to be issued any Windlab Shares, or any other Windlab securities other than, in the case of a Scheme Shareholder who is also the holder of Windlab Options, Windlab Warrants or Windlab Performance Rights, the right to receive Windlab Shares on the exercise of those, or otherwise in accordance with their terms.	See Section 10.4.

Question	Answer	Reference
What are the tax implications of the Scheme?	The taxation implications of the Scheme will depend on your personal circumstances. A general outline of the main Australian taxation implications of the Scheme for certain Windlab Shareholders is set out in Section 9 of this Scheme Booklet. As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.	See Sections 4.3(d), 9.
Will I have to pay brokerage?	You will not incur any brokerage on the transfer of your Windlab Shares pursuant to the Scheme.	See Section 4.2(f).
Can I sell my Windlab Shares on the ASX now?	You can sell your Windlab Shares including on the ASX at any time before the close of trading on the Effective Date. Windlab will apply to the ASX to suspend trading on the ASX in Windlab Shares with effect from the close of trading on the Effective Date, so you will not be able to sell your Windlab Shares after this time. If you sell your Windlab Shares on the ASX: ◆ you may pay brokerage on the sale; ◆ you will not receive the Scheme Consideration; and ◆ there may be different tax consequences compared with those that would apply if you were to remain a Windlab Shareholder and the Scheme were to be implemented.	See Sections 4.4(a), 5.4(b).

Implementation of the Scheme

When will the Scheme become Effective?	Subject to the satisfaction or (if permitted) waiver of the Conditions, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the Effective Date). This is expected to occur on Monday, 15 June 2020.	See Sections 3.2(c), 10.3.

2. Frequently asked questions (continued)

Question	Answer	Reference
What happens if the Scheme is approved, all Conditions are satisfied and the Scheme is implemented?	On the Implementation Date: ◆ Windlab will pay the Scheme Consideration received from the Bidder to Scheme Shareholders; and ◆ the Scheme Shares will be transferred to the Bidder without Scheme Shareholders needing to take any further action. Under the Scheme Implementation Agreement, the Implementation Date is the fifth Business Day (or such other Business Day as the parties agree) following the Scheme Record Date for the Scheme, and is expected to be Friday, 19 June 2020. No transfer of Windlab Shares will occur to the Bidder until the Scheme Consideration has been dispatched.	See Sections 3.2(c), 10.3.
Can the Scheme Implementation Agreement be terminated?	The Scheme Implementation Agreement may be terminated in certain circumstances. These are summarised in Section 4.4(f) of this Scheme Booklet. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed. The Scheme Implementation Agreement may not be terminated after the Second Court Date.	See Section 4.4(f).
What happens if the Scheme does not proceed?	If the Scheme is not approved at the Scheme Meeting, or a Condition to the Scheme is not satisfied or (if permitted) waived, the Scheme will not be implemented. If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Windlab Shares. In these circumstances, Windlab will, in the absence of another proposal, continue to operate as a company listed on the ASX and you will continue to hold your Windlab Shares and continue to be exposed to risks and opportunities associated with your investment in Windlab. Windlab Shareholders should also note that Windlab has agreed to pay a Break Fee to the Bidder HoldCo in certain circumstances where the Scheme is not implemented as described in Section 4.4(e).	See Sections 3.2(d), 4.4(e), 8.

Question	Answer	Reference
Is there a break fee payable?	Under the Scheme Implementation Agreement, Windlab may be obliged to pay the Break Fee of $700,000 (excluding GST) to the Bidder HoldCo, if certain events occur. The failure to pass the Scheme Resolution by the Requisite Majorities will **not** trigger the payment of the Break Fee by Windlab. The circumstances in which the Break Fee is payable by Windlab are summarised in Section 4.4(e).	See Section 4.4(e).

Voting at the Scheme Meeting

Who can vote on the Scheme Resolution?	A Scheme Shareholder whose name is recorded on the register as at 7.00pm on Wednesday, 3 June 2020 may vote at the Scheme Meeting either online or via the Lumi AGM app , by attorney, by proxy or, in the case of corporate Scheme Shareholders, by corporate representative.	See Section 5.2.
How do I vote?	If you are a Scheme Shareholder entitled to vote at the Scheme Meeting, you may vote by: ◆ participating and voting either online or via the Lumi AGM app; ◆ appointing an attorney to participate in the meeting and vote on your behalf, using a power of attorney; ◆ in the case of a body corporate, appointing a corporate representative to participate in the meeting and vote on your behalf, using a certificate of appointment of body corporate representative; or ◆ appointing a proxy to participate in the meeting and vote on your behalf, using the proxy form accompanying this Scheme Booklet. If you are not able to participate in the Scheme Meeting, either online or via the Lumi AGM app, and wish to vote, Windlab encourages you to sumbit your vote by proxy prior to the close of proxy submissions at 10.30am on Wednesday, 3 June 2020.	See Section 5.3.
How will voting at the Scheme Meeting be conducted?	Voting at the Scheme Meeting will be conducted by way of a poll. Every Scheme Shareholder who participates in person or by proxy, representative or attorney at the Scheme Meeting will have one vote for each Windlab Share held by them.	See Annexure C.

2. Frequently asked questions (continued)

Question	Answer	Reference
Where and when will the Scheme Meeting be held?	The Scheme Meeting will be held at 10.30am on Friday, 5 June 2020. **In light of the Coronavirus (COVID-19) situation, the Scheme Meeting will be held virtually. There will not be a physical meeting where Windlab Shareholders can attend.** If you wish to participate in the Scheme Meeting you may do so: ◆ online at https://web.lumiagm.com; or ◆ using the Lumi AGM app. You may also listen to the Scheme Meeting by dial in tele-conference on (02) 8015 6011 (within Australia) or +61 2 8015 6011 (outside Australia) and use Meeting ID: 944 0224 4184. You will not be able to ask questions or cast votes on the tele-conference. The Scheme Meeting may be adjourned. Any such adjournment will be announced on the ASX and set out on Windlab's website (www.windlab.com).	See Section 5.1 and Annexure C.
Is voting compulsory?	Voting is not compulsory. However, your vote is important for the Scheme to proceed. Your Directors strongly encourage you to exercise your right to vote.	See Section 5.4 and Annexure C.
What voting majority is required to approve the Scheme?	For the Scheme to be approved by Scheme Shareholders at the Scheme Meeting, the Scheme Resolution must be passed by: ◆ unless the Court orders otherwise, a majority in number (i.e. more than 50%) of the Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) present and voting (either in person or by proxy); and ◆ at least 75% of the votes cast on the resolution. Even if the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting, the Scheme will only be implemented if the other conditions to the Scheme are satisfied or (where permitted) waived.	See Section 10.3 and Annexure C.
What choices do I have as a Windlab Shareholder?	Scheme Shareholders have three choices: ◆ vote at the Scheme Meeting; ◆ sell their Windlab Shares including on ASX at any time before the close of trading on the Effective Date; or ◆ do nothing.	See Section 5.4.
What happens to my Windlab Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, or vote against the Scheme, and the Scheme nonetheless becomes Effective, any Windlab Shares held by you on the Scheme Record Date (currently expected to be 7.00pm time on Friday, 19 June 2020) will be transferred to the Bidder and you will receive the Scheme Consideration on the Implementation Date.	See Section 5.4.

Question	Answer	Reference
What can I do if I oppose the Scheme?	If you, as a Windlab Shareholder, oppose the Scheme, you may: ◆ call the Windlab Shareholder Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia); ◆ participate in the Scheme Meeting either in person or by proxy, representative or attorney and vote against the Scheme Resolution; and/or ◆ if Scheme Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing, you must lodge a notice of intention to appear at the Second Court Hearing and indicate opposition to the Scheme. You should seek professional advice as to how to do this. Any Windlab Shareholder who wishes to attend at the Second Court Hearing may obtain the tele-conference details for the hearing by: ◆ contacting Dentons Australia Limited, the legal advisers to Windlab, on 02 9931 4852; or ◆ contacting the Associate to the Corporations Judge by email at margaret.smith2@courts.nsw.gov.au.	
Can I keep my Windlab Shares?	You cannot keep your Windlab Shares if the Scheme is implemented. If the Scheme is implemented, each Scheme Shareholder will receive (on the Implementation Date) the Scheme Consideration and your Windlab Shares will be transferred to the Bidder, even if you did not vote at all or if you voted against the Scheme Resolution. If the Scheme is not implemented you will keep your Windlab Shares.	See Section 5.4.
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting.	

Further information

What if I want further information?	If you have any questions about this Scheme Booklet or the Scheme, please call the Windlab Shareholder Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia).	

3. Summary and background to the Scheme

3.1 Overview of the Scheme

On 4 March 2020, your Directors announced that Windlab had entered into the Scheme Implementation Agreement with the Bidder HoldCo, under which, subject to the satisfaction or waiver of a number of conditions, it is proposed that the Bidder HoldCo's Subsidiary, the Bidder, will acquire all of Windlab Shares pursuant to a scheme of arrangement.

If the Scheme is approved by both the Scheme Shareholders and the Court, then Scheme Shareholders will receive the Scheme Consideration of $1.00 for each Windlab Share held by them.

Under the terms of the Scheme Implementation Agreement and the Scheme, the Scheme Consideration is $1.00 cash for each Windlab Share, less the amount of any dividend, return of capital or other distribution declared or paid by Windlab on or before the Implementation Date. All references in the Scheme Booklet to the Scheme Consideration should be read as being subject to this deduction. However, the Windlab Directors have no intention of declaring or paying any such dividend, return of capital or other distribution on or before the Implementation Date.

To be entitled to receive the Scheme Consideration, a Scheme Shareholder must be a shareholder at the Scheme Record Date (expected to be Friday, 19 June 2020). Refer to Section 3.2(c) of this Scheme Booklet for further information.

If the Scheme is approved by Scheme Shareholders and by the Court, and all other Conditions are satisfied or (where permitted) waived, Windlab will become a wholly-owned subsidiary of the Bidder Group and an application will be made to delist Windlab from the ASX.

A copy of the Scheme is contained in Annexure B to this Scheme Booklet.

3.2 Summary of the Scheme

(a) Conditions to the Scheme

In order for the Scheme to be implemented, a number of Conditions must either be satisfied or (where permitted) waived.

These Conditions include:	
No restraints	No decision, order or injunction has been made by a governmental agency, court or the Takeovers Panel that materially impedes or prevents the Scheme.
Windlab Shareholder approval	The Scheme being approved by Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) at the Scheme Meeting by: ◆ unless the Court orders otherwise, a majority in number (ie. more than 50%) of the Scheme Shareholders present and voting (either in person or by proxy); and ◆ at least 75% of the votes cast on the Scheme Resolution.
Court approval	The Scheme being approved by the Court.
Independent Expert's Report	The Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders as at 8.00am on the Second Court Date.
No Windlab Prescribed Event	No Windlab Prescribed Event occurring between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.
No Material Adverse Change	No Material Adverse Change occurring or becoming apparent or known to the Bidder HoldCo or Windlab between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.
Windlab Convertible Securities	Windlab entering into Convertible Security Deeds with each holder of Windlab Convertible Securities in respect of all Windlab Convertible Securities held (or all Windlab Convertible Securities are otherwise cancelled or acquired by the Bidder HoldCo on terms satisfactory to the Bidder HoldCo).

CEFC consent	As at 8.00am on the Second Court Date in respect of the CEFC Facilities, all consents and notifications required to be made in respect of the CEFC Facilities in connection with the implementation of the Scheme being obtained or provided (as applicable) and Windlab or the relevant Windlab Group Member who is party to the CEFC Facilities being provided with a written waiver or release of any rights under the CEFC Facilities arising in connection with the implementation of the Scheme.
ASX waiver	Windlab obtaining from the ASX a waiver of any requirement under Listing Rule 6.23.2 to obtain the approval of its shareholders to the cancellation of the Windlab Convertible Securities pursuant to the Convertible Security Deeds.

The above is a summary only. The Conditions to the Scheme are set out in full in clause 3 of the Scheme Implementation Agreement, which was announced on 4 March 2020. A full copy of the Scheme Implementation Agreement is available on the ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com.

The Scheme will not be implemented unless all of the Conditions are satisfied or (where permitted) waived in accordance with the Scheme Implementation Agreement.

As at the date of this Scheme Booklet, Windlab and the Bidder are not aware of any circumstances that would cause any of the Conditions to the Scheme not to be satisfied. Windlab will make a statement regarding the status of the Conditions to the Scheme at the Scheme Meeting.

(b) Treatment of Windlab Convertible Securities

As at 28 April 2020, Windlab had on issue:

- 3,962,000 Windlab Options;
- 1,410,668 Windlab Warrants[6]; and
- 561,210 Windlab Performance Rights.

The Windlab Options are all unquoted options issued under the Windlab ESOPs with terms as follows:

Number	Class of Windlab Options
530,000	Exercisable at $0.50, expiring on 30 June 2021.
80,000	Exercisable at $0.50, expiring on 21 June 2021.
624,000	Exercisable at $0.75, expiring on 30 June 2022.
1,808,000	Exercisable at $2.00, expiring on 1 December 2022.
250,000	Exercisable at $1.65, expiring on 12 April 2023.
670,000	Exercisable at $1.535, expiring on 30 June 2023.

The Windlab Warrants are all unquoted warrants that, on exercise, entitle the holder to one fully paid Windlab Shares with terms as follows:

Number	Class of Windlab Warrants
300,000	Exercisable at $2.00, expiring on 4 May 2020.
256,484	Exercisable at $2.00, expiring on 30 June 2020.
854,184	Exercisable at $2.00, expiring on 1 April 2021.

6. There are 300,000 Windlab Warrants on issue with an exercise price of $2.00 and an expiry date of 4 May 2020 (see table below). It is expected that these Windlab Warrants will expire and lapse in accordance with their terms prior to the Implementation of the Scheme.

3. Summary and background to the Scheme (continued)

The Scheme is conditional on each holder of Windlab Convertible Securities entering into a binding Convertible Security Deed in relation to their Windlab Convertible Securities, under which the relevant holder agrees to have their Windlab Convertible Securities cancelled for the Convertible Security Consideration in respect of those Windlab Convertible Securities, subject to and conditional upon the Scheme becoming Effective.

The Convertible Scheme Consideration payable to the holders of Windlab Convertible Securities is as follows:

(i) ***Windlab Warrants:*** All Windlab Warrants have been issued on terms that, upon exercise, the holder is entitled to be issued with one fully paid Windlab Share. For all Windlab Warrants the consideration payable by the holder on exercise is $2.00.

Pursuant to the proposed Convertible Security Deed, all Windlab Warrants will be cancelled and the holders will be entitled to payment in consideration of the cancellation of each Windlab Warrant. The consideration payable for the cancellation of each Windlab Warrant has been calculated based on a Black Scholes calculation of the value of the Windlab Warrant on the anticipated Implementation Date.

No consideration will be paid for Windlab Warrants expiring on 4 May 2020 and 30 June 2020. Warrant holders holding warrants expiring on 1 April 2021 will receive $0.0145 per Windlab Warrant. The aggregate consideration payable for the cancellation of all Windlab Warrants on issue is approximately $12,000.

(ii) ***Windlab Options:*** All Windlab Options have been issued on terms that, upon vesting and exercise, the holder is entitled to be issued with one fully paid Windlab Share. The consideration payable by the holder on exercise of the various classes of options is as set out in the table above.

Pursuant to the proposed Convertible Security Deed, all Windlab Options will be cancelled and the holders will be entitled to payment in consideration of the cancellation of each Windlab Option.

For Windlab Options that have an exercise price that is ***less*** than the Scheme Consideration (ie "in the money" options"), the consideration payable for the cancellation is equal to the Scheme Consideration ***less*** an amount equal to the exercise price of the Windlab Option. The aggregate consideration payable for the cancellation of all Windlab Options on issue that are "in the money", is $461,000.

For Windlab Options that have an exercise price that is ***more*** than the Scheme Consideration (ie "out of the money" options), the consideration payable for the cancellation has been calculated based on a Black Scholes calculation of the value of the option on the anticipated Implementation Date. The consideration paid will be $0.11, $0.18 and $0.21 per Windlab Option for options expiring on 1 December 2022, 12 April 2023 and 30 June 2023 respectively. The aggregate consideration payable for the cancellation of all Windlab Options on issue that are "out of the money", is approximately $387,000.

The Windlab Board considers that the retention and incentivisation of Windlab's employees has been an essential part of the success of its business. The grant of Windlab Options to employees has been an important part of the retention and incentivisation approach of the Windlab Board and made up a considerable amount of employee remuneration. Under the terms of the Windlab ESOPs, the Windlab Board does not have the ability to lapse "out of the money options". For these reasons. the Windlab Board determined it was appropriate to provide consideration for the cancellation of Windlab Options that were "out of the money" and determined that a compensation based on a Black Scholes calculation of the value of the applicable Windlab Options was fair and reasonable both to the holders of Windlab Options and to Windlab Shareholders. The consideration payable for the cancellation of Windlab Options was determined after the quantum of the Scheme Consideration had been agreed and did not affect the amount of the Scheme Consideration to be paid to Windlab Shareholders.

(iii) ***Windlab Performance Rights:*** All Windlab Performance Rights have been issued on terms that, upon vesting and exercise, the holder is entitled to be issued with one fully paid Windlab Share. No consideration is payable by the holder on exercise.

Pursuant to the proposed Convertible Security Deed, all Windlab Performance Rights will be cancelled and the holders will be entitled to payment in consideration of that cancellation. The consideration payable for the cancellation of each Windlab Performance Rights is equal to the Scheme Consideration of $1.00 per Windlab Share. The effect of this arrangement is to treat the Windlab Performance Rights as if they had fully vested and to enable the holders of Windlab Performance Rights to receive consideration in connection with the Scheme equal to what they would have received if the Windlab Performance Rights were all vested and exercised. The Windlab Board's view (excluding Roger Price) is that this treatment is appropriate given the change in control of Windlab if the Scheme is implemented, the uncertainty that management may face upon that change in control, that no long term incentive grants have been made to management in 2020, and that this treatment is consistent with general market practice. The decision to treat the Windlab Performance Rights as if they had fully vested was made after the quantum of the Scheme Consideration had been agreed and did not affect the amount of the Scheme Consideration to be paid to Windlab Shareholders.

The aggregate consideration payable for the cancellation of all Windlab Performance Rights on issue is approximately $561,000.

(c) Implementation of the Scheme

If the Scheme is approved by the Court, there are three important dates in respect of implementation of the Scheme being:

Important dates	
Effective Date	The date on which, if the Court approves the Scheme, the Scheme Order is lodged with ASIC and the Scheme becomes Effective (which is expected to be Monday, 15 June 2020);
Scheme Record Date	7.00pm on the fifth Business Day after the Effective Date (which is expected to be Friday, 19 June 2020), and is the date when the Register is examined to determine who is entitled to participate in the Scheme (i.e. a Scheme Shareholder) and be paid the Scheme Consideration; and
Implementation Date	The fifth Business Day after the Scheme Record Date (which is expected to be Friday, 26 June 2020), and is the date on which: ◆ all of the Scheme Shares held by Scheme Shareholders will be transferred to the Bidder without the need for any action by Scheme Shareholders (and Windlab will become a wholly-owned subsidiary of the Bidder); and ◆ Scheme Shareholders will be paid the Scheme Consideration for each Scheme Share they hold.

Further details regarding implementation are set out throughout this Scheme Booklet.

(d) If the Scheme is not implemented

If the Scheme is not implemented:

- Windlab Shareholders will continue to hold their Windlab Shares and will not receive the Scheme Consideration; and
- Windlab will continue to operate as a stand-alone publicly listed company on the ASX and Windlab Shareholders will continue to participate in the benefits of, and be exposed to the risks associated with, an investment in Windlab.

Some of the risks associated with an investment in Windlab are set out in Section 8 of this Scheme Booklet.

3.3 Background to the Scheme

On 28 August 2019 Windlab announced that it had initiated a review of Windlab's strategic options to consider a range of alternative actions to address the value gap that existed between Windlab's then share price and what the board believed to be the underlying value of the business, even in difficult market conditions, and to ensure that Windlab had sufficient working capital to achieve its objectives (**Strategic Review**). Windlab appointed Moelis Australia Advisory Pty Ltd (**Moelis**) to act as its financial advisor in relation to the Strategic Review.

The Strategic Review has encompassed consideration of a number of strategic options across all facets of Windlab's business, including:

- alternative Company or asset ownership models including potential control transaction structures, and asset divestitures;
- capital management initiatives including capital raisings via debt and equity markets, or the introduction of potential capital partner(s) in Windlab or its underlying development businesses;
- a sale of some or all of Windlab's assets to raise proceeds to meet the liquidity requirements of Windlab; and
- other operational considerations.

Moelis and Windlab held discussions with a number of industry participants, strategic investors and financial sponsors to gauge their interest in participating in the Strategic Review and entering into a transaction with Windlab. The Board had not pre-determined a date by which to conclude the Strategic Review and any timing of action arising from the Strategic Review was to be determined by a number of factors including level of participation and offers as part of the Strategic Review, Windlab developments, prevailing market conditions and various other circumstances.

The Strategic Review process involved discussions with a number of credible industry participants, several of whom executed non-disclosure agreements. A small number of potential proposals were discussed or received by Windlab.

One of the proposals that Windlab received was an initial confidential, non-binding, indicative offer from Federation on behalf of itself and funds that it manages or advises on 26 November 2019, seeking exclusivity. The Windlab Board denied exclusivity, but provided a short period for Federation to conduct due diligence under a confidentiality and stand-still agreement. During this period the Windlab Board sought more detailed proposals, including indicative pricing from a number of parties engaged during the Strategic Review and continued to negotiate with Federation. No other formal proposals were received to acquire all of the shares in by Windlab during this period. On 6 January 2020, Federation confirmed their non-binding, indicative offer and requested exclusivity.

Windlab announced to ASX that it had received Federation's indicative proposal at an indicative price of $1.00 per Windlab Share on 20 January 2020 after negotiation and execution of the Process Deed. The indicative price of $1.00 per Windlab Share announced on 20 January 2020 was consistent with the pricing in the initial offer from Federation received on 26 November 2019. The Scheme Consideration offered does not reflect and has not been affected by the current global COVID-19 pandemic or its effect on equity markets.

The Process Deed, pursuant to which Windlab agreed to cease discussions with participants in the Strategic Review and to work with Federation on an exclusive basis to allow due diligence investigations in respect of the proposal to be finalised and to conclude negotiation of a binding scheme implementation agreement. Further details on the Process Deed can be seen in Windlab's announcement to the ASX on 20 January 2020. In considering the potential for a competing offer and granting exclusivity to Federation, the Windlab Board considered the comprehensive nature of the Strategic Review that have been undertaken since August 2019 and the nature of potential interest by other parties that had been approached. The Windlab Board formed the view that given the Strategic Review that had been undertaken (including the length of the period which other potential bidders had to approach Windlab), granting exclusivity to Federation was in the best interests of Windlab and Windlab Shareholders.

The Windlab Board also established an independent board committee to oversee progression of Federation's proposal. The independent board committee comprised Charles Macek, Joseph O'Brien, and Geoff Cairns, of Dentons Australia, the lawyers advising Windlab in connection with the proposal, and was advised by Moelis. Charles Macek chaired the committee.

The independent board committee was established by the Windlab Board because of the potential for a real or perceived conflict of interests relating to Roger Price's interests in the Windlab Convertible Securities held by him. Further details of those interests are set out in Sections 4.2(a) and 11.1 of this Scheme Booklet.

The independent board committee formally met on six occasions between the announcement of Federation's indicative proposal and execution of the Scheme Implementation Agreement and consulted on all key aspects of the proposed transaction. The independent board committee considered, among other things, the terms of Federation's indicative proposal and options for obtaining a more attractive offer from Federation.

On 4 March 2020, Windlab announced that it had entered into the Scheme Implementation Agreement with Bidder HoldCo. The Scheme Implementation Agreement sets out the obligations of Windlab and the Bidder HoldCo in connection with the implementation of the Scheme.

4. Considerations relevant to your vote

4.1 Windlab Directors' recommendation

Your Directors, having assessed the Scheme with regard to the considerations set out in this Section 4, consider that the Scheme is in the best interests of Scheme Shareholders.

Accordingly, your Directors:

- unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders; and
- intend to vote all the Windlab Shares that they own or control in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.

Your Directors believe the Scheme Consideration is fair, taking into account Windlab's existing business operations and the risk profile of Windlab's development activities, particularly in light of recent credit and equity markets conditions which may delay some projects in reaching financial close. The Scheme also provides certainty of cash proceeds for Scheme Shareholders in the near term which may not be achieved if the Scheme does not proceed.

The interests of your Directors in Windlab Shares and other Windlab Securities are set out in Section 11.1 of this Scheme Booklet.

4.2 Reasons to vote in favour of the Scheme Resolution

Windlab Directors consider that the Scheme is in the best interests of Scheme Shareholders and, accordingly, unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.

The key reasons for this conclusion are set out below:

(a) Windlab Directors' unanimous recommendation

Windlab Directors consider that the Scheme is in the best interests of Scheme Shareholders and, accordingly, unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders.

You should note when considering this recommendation that Windlab Directors (Roger Price, Joseph O'Brien, Pippa Downes and Charles Macek) have previously been issued Windlab Options under the Windlab Employee Share Option Plans, and these directors will be receiving a benefit if the Scheme proceeds, in that their Windlab Options will be cancelled and they will receive consideration for that cancellation if the Scheme becomes Effective. The terms on which the Windlab Options held by the Windlab Directors will be cancelled are the same as for all other Windlab employees, and the consideration was calculated on the same basis as set out in Section 3.2(b) of this Scheme Booklet.

In relation to the recommendation of Roger Price, the Executive Chairman and Chief Executive Officer of Windlab, Windlab Shareholders should have regard to the fact that, if the Scheme is implemented, Roger Price will also become entitled to payment in consideration of the cancellation of unvested Windlab Performance Rights held by him. The effect of the arrangement is to treat the Windlab Performance Rights as if they had fully vested and the consideration payable for the cancellation of each Windlab Performance Rights is equal to the Scheme Consideration of $1.00 per Windlab Share. The Windlab Board (excluding Roger Price)[7] exercised its discretion to give effect to these arrangements.

7. The exercise of discretion by the Windlab Board under the terms of the Windlab Performance Rights Plan was approved by the Independent Non-Executive Windlab Directors. Roger Price did not vote on the resolution given his interest in the subject matter of the resolution.

The treatment of the Windlab Performance Rights held by Roger Price is consistent with the treatment of Windlab Performance Rights held by other Windlab employees. Nonetheless, Windlab Shareholders should have regard to these arrangements when considering Roger Price's recommendation on the Scheme which appears throughout this Scheme Booklet.

Roger Price considers that, despite these arrangements, it is appropriate for him to make a recommendation to Scheme Shareholders on the Scheme. The Windlab Board, excluding Roger Price also considers it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Windlab and industry knowledge and experience.

The interests of Windlab Directors (including Roger Price) in Windlab Shares and Windlab Convertible Securities as at the date of this Scheme Booklet are set out in Sections 11.1 and 11.4 of this Scheme Booklet.

In reaching their recommendation, the Windlab Directors have assessed the Scheme having regard to each of the reasons to vote in favour of, or against the Scheme, as set out in this Scheme Booklet.

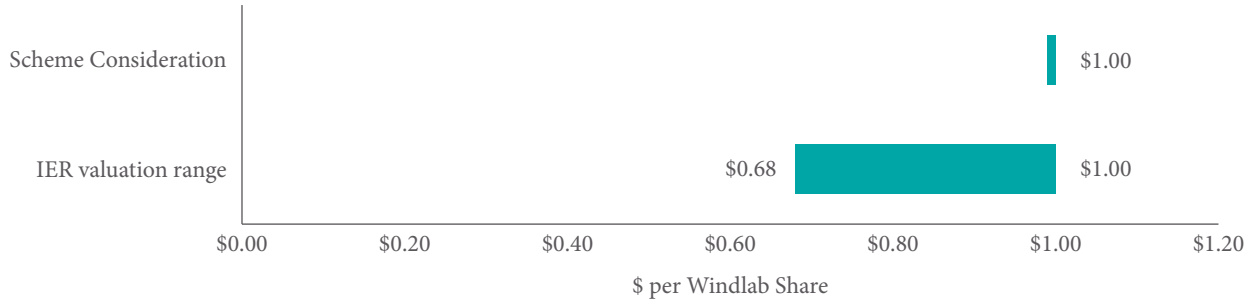
Each of the Windlab Directors, in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders, will vote in favour of the Scheme.

(b) The Independent Expert's conclusion

Windlab appointed KPMG Corporate Finance to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of Scheme Shareholders.

The Independent Expert has analysed Windlab and its business, including its operations, growth, options and opportunities available to Windlab.

The Independent Expert has concluded that the Scheme is **fair and reasonable** and therefore in the **best interests** of Scheme Shareholders on the basis that the Scheme Consideration is at the high end of the Independent Expert's valuation range of $0.68 to $1.00.



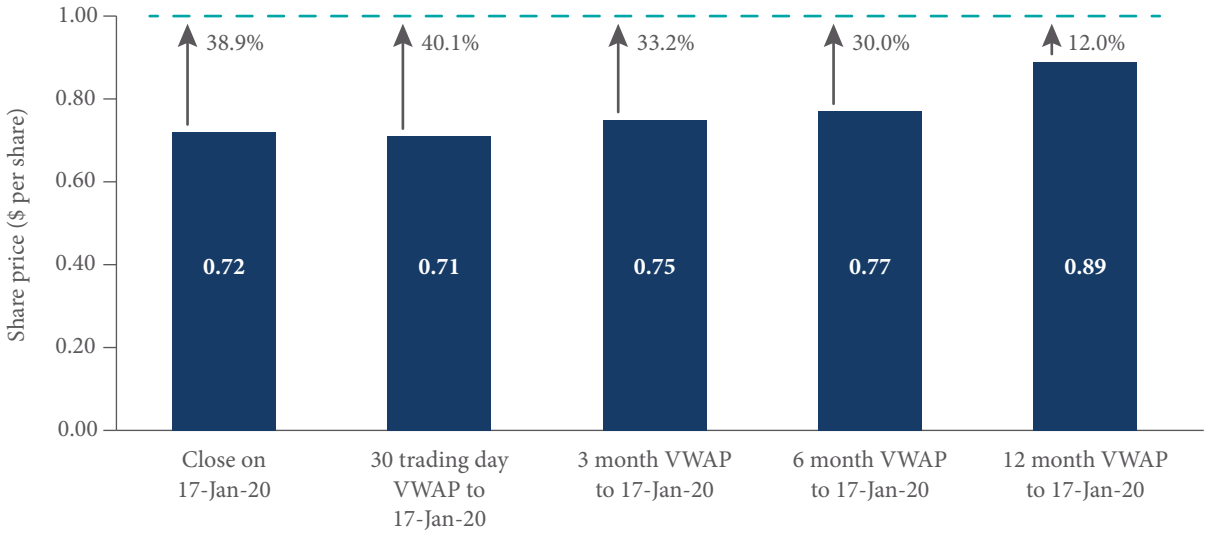
The reasons why the Independent Expert reached these conclusions are set out in full in the Independent Expert's Report which is set out in Annexure D to this Scheme Booklet.

(c) Premium

The Scheme Consideration of $1.00 per Windlab Share represents an attractive premium to Windlab's historical trading prices prior to the announcement of the indicative proposal from Federation.

The Scheme Consideration of $1.00 cash for each Windlab Share represents a premium of:

- 38.9% to the closing price of Windlab Shares of $0.72 on 17 January 2020, being the last trading day before Windlab announced that it had received an indicative proposal from Federation;
- 40.1% to the 30 trading day volume weighted average price (VWAP) of Windlab Shares of $0.71 up to and including 17 January 2020;
- 33.2% to the three-month VWAP of Windlab Shares of $0.75 up to and including 17 January 2020;
- 30.0% to the six-month VWAP of Windlab Shares of $0.77 up to and including 17 January 2020; and
- 12.0% to the 12-month VWAP of Windlab Shares of $0.89 up to and including 17 January 2020.



Source: FactSet.

The premia above are all relative to calculations of the price of Windlab Shares for periods prior to the effect of the current global COVID-19 pandemic on equity markets. The Scheme Consideration of $1.00 per Windlab Share has not been affected by or renegotiated as a result of the effect of COVID-19, including its effects on equity markets.

(d) Certainty

The Scheme Consideration is a 100% cash offer of $1.00 cash for each Windlab Share. It provides you with a high level of certainty of value and certainty of timing in relation to the receipt of the Scheme Consideration at a premium to Windlab's recent trading benchmarks as set out in Section 4.2(c) above.

If the Scheme is implemented, it is expected that the Scheme Consideration will be paid on Friday, 26 June 2020 (being the Implementation Date).

In contrast, if the Scheme is not implemented, the value that Windlab Shareholders will be able to realise for their Windlab Shares (including any future dividends and the price of those Windlab Shares) is uncertain and subject (among other things) to risks as to:

- the performance of Windlab's business;
- the immediate market and economic uncertainties as a result of the current COVID-19 pandemic;
- activity and competition in the utility scale renewable energy sector;
- general refinancing risks;
- general economic conditions; and
- movements in the broader share market.

In particular, there are specific risks and uncertainties in relation to development projects referred to in this Scheme Booklet including the timing of financial close of the Lakeland Wind Farm project which has been delayed (described further in Section 6.2.1(b) of this Scheme Booklet) and the outcome of a material dispute in connection with the Kennedy Energy Park (described further in Section 6.2.2.2). If the Scheme is approved and implemented, these risks and uncertainties will be assumed by the Bidder Consortium, as the owners of Windlab after implementation of the Scheme.

Further information in relation to the specific risks associated with an investment in Windlab are set out in Section 8 of this Scheme Booklet.

(e) No Superior Proposal

As at the date of this Scheme Booklet, your Directors are not aware of any Superior Proposal, and are not in any discussions that could lead to a Superior Proposal. Your Directors consider that a Superior Proposal is unlikely to emerge.

As described in Section 3.3 of this Scheme Booklet, the Strategic Review was initiated by the Windlab Board in August 2019, to consider a range of options to address the value gap that exists between the Windlab's then share price and what the board believed to be the underlying value of the business, even in difficult market conditions. Other than the proposal received from the Bidder Consortium, no other comprehensive proposal to acquire all of the Windlab Shares has been received, including from parties that Windlab and Moelis approached as part of the Strategic Review. Amongst other initiatives, this process involved discussions with a number of credible industry participants, several of whom executed non-disclosure and "stand-still" agreements and were granted access to non-public information about Windlab to assist those parties with their due diligence investigations.

A small number of indicative proposals were discussed or received by Windlab including the Bidder Consortium's indicative proposal at an indicative price $1.00 as announced on 20 January 2020. Other options that were considered by the Windlab Board, including capital raising or a realisation of assets to meet the liquidity requirements of Windlab, were determined by the Windlab Board to be less favourable than the proposal from the Bidder Consortium.

During the Exclusivity Period under the Scheme Implementation Agreement, there is nothing preventing other parties from making unsolicited proposals for Windlab. Although Windlab has agreed to certain exclusivity provisions that restrict it from soliciting or inviting, or engaging with, the proponent of a proposal, these restrictions do not prevent Windlab from considering an unsolicited proposal that is or could reasonably be considered to become a Superior Proposal. The Bidder HoldCo has the right, but not the obligation, to match any such proposal.

If a proposal for Windlab emerges prior to the Effective Date, your Directors will carefully consider that proposal and will inform you of any material developments which may affect your Directors' view that the Scheme is the most favourable proposal for all your Windlab Shares.

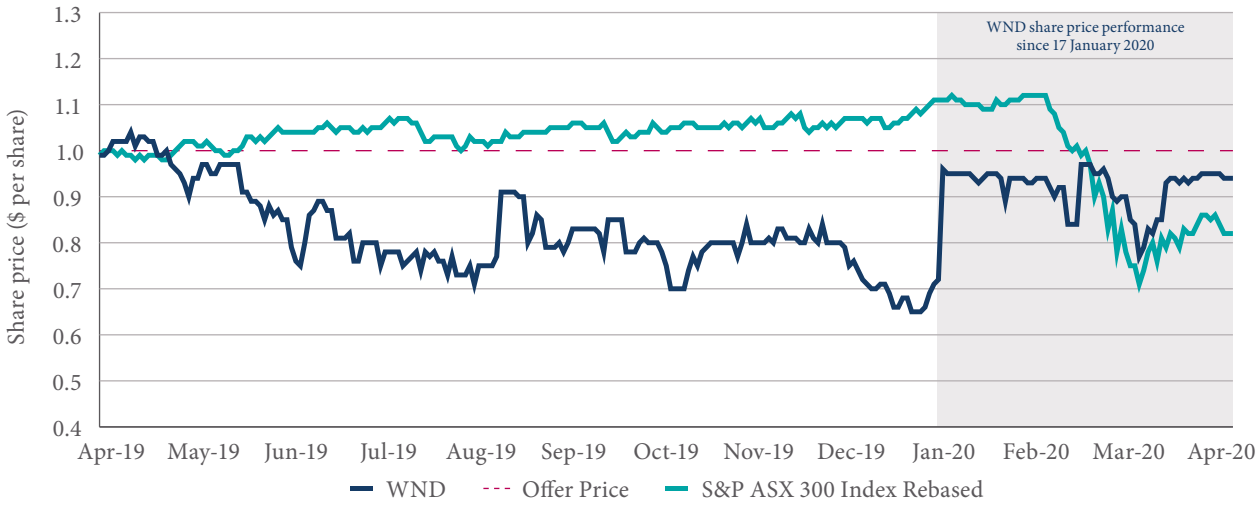
(f) Fall in price of Windlab Shares

The closing Windlab Share price on the ASX on 17 January 2020, being the last trading day before Windlab announced it had received an indicative proposal from the Bidder Consortium, was $0.72. As demonstrated in the graph below, the Windlab Share price rose substantially following the announcement of Federation's indicative proposal on 20 January 2020.

Since that date, an adjudication determination has been received by Windlab in respect of Kennedy Energy Park and a material dispute in respect of that project remains unresolved (described further in Section 6.2.2.2).

Furthermore, general economic conditions have deteriorated and equity markets have fallen materially since that date, including as a result of the ongoing impact of COVID-19. Since the announcement of the indicative proposal by Federation on 20 January 2020 to 23 April 2020, the S&P ASX 300 index has fallen by 26.4%.

The graph below shows the closing price of Windlab Shares over the 12 month period to 23 April 2020 compared to the S&P ASX 300 index over the same period, noting that Windlab's trading performance has not historically been correlated to the performance of the broader Australian equity market.



Source: FactSet, as at 23 April 2020, being the last practicable date before the date of this Scheme Booklet.

Accordingly, your Directors believe there is a material risk that the price of Windlab Shares will fall materially, at least in the short term, if the Scheme is not implemented and no Superior Proposal emerges.

(g) No brokerage

You will not incur any brokerage on the transfer of your Windlab Shares pursuant to the Scheme.

4.3 Reasons you may choose to vote against the Scheme Resolution

Your Directors consider that the Scheme is in the best interests of Scheme Shareholders and, accordingly, unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal. The key reasons for this conclusion are set out above in Section 4.2 of this Scheme Booklet. There may, however, be reasons why you may choose to vote against the Scheme Resolution at the Scheme Meeting, including the reasons set out below:

(a) Directors' recommendation and Independent Expert's conclusion

In concluding that the Scheme is in the best interests of Scheme Shareholders, in the absence of a Superior Proposal, your Directors and the Independent Expert are making judgements based on future trading conditions and events which cannot be predicted with certainty and which may prove to be inaccurate (either positively or negatively).

You may not agree with, and are not obliged to follow the recommendation of, your Directors, and may not agree with the Independent Expert's conclusions. For example, you may wish to retain an exposure to the Windlab business because you take a positive long-term view of Windlab's future financial performance or the future prospects of its ongoing business.

(b) Participation in potential upside

If the Scheme is implemented, you will cease to be a Windlab Shareholder. This means that you will no longer be able to participate in Windlab's future financial performance or the future prospects of its ongoing business. There are, however, risks associated with remaining a Windlab Shareholder. See Section 8 of this Scheme Booklet for further information.

Please note that, even if you vote against the Scheme Resolution, if the Scheme Resolution is passed by the Requisite Majorities and the Scheme is implemented, then any Windlab Shares you hold on the Scheme Record Date will be transferred to the Bidder, and you will be paid the Scheme Consideration of $1.00 (notwithstanding that you voted against the Scheme Resolution).

(c) Future proposal

It is possible that, if Windlab were to continue as a stand-alone publicly listed company on the ASX, a corporate control proposal for Windlab or other transaction proposal (which may include a sale of some of the assets or operations of the Windlab Group) may materialise in the future which is more favourable for Windlab Shareholders than the Scheme. Implementation of the Scheme would preclude the possibility of Windlab Shareholders obtaining the benefit of any future proposal for their Windlab Shares, or other transaction proposal, that could emerge if Windlab were to remain a stand-alone listed company.

As at the date of this Scheme Booklet, your Directors are not aware of any such proposal, and are not in any discussions that could lead to a Superior Proposal. Your Directors consider that a Superior Proposal is unlikely to emerge. During the Exclusivity Period, there is nothing preventing other parties from making unsolicited proposals for Windlab. Although Windlab has agreed to certain exclusivity provisions that restrict it from soliciting or inviting, or engaging with, the proponent of a proposal, these restrictions do not prevent Windlab from considering an unsolicited proposal that is or could reasonably be considered to become a Superior Proposal. The Bidder HoldCo has the right, but not the obligation, to match any such proposal. If a proposal for Windlab emerges prior to the Second Court Date, your Directors will carefully consider that proposal and will inform you of any material developments which may affect your Directors' view that the Scheme is the most favourable proposal for all your Windlab Shares.

(d) Tax consequences

The tax consequences of the Scheme will depend on your own individual circumstances, and may not suit you. You should carefully read and consider Section 9 of this Scheme Booklet, which contains a general overview of the Australian taxation considerations for Australian resident Scheme Shareholders on implementation of the Scheme. However, you should not rely on the disclosure in Section 9 as being advice on your own affairs. You should consult with your own independent tax advisers regarding the tax consequences for you.

4.4 Other considerations that are relevant to the decision by Windlab Shareholders whether or not to vote in favour of the Scheme Resolution

(a) Ability to sell at any time prior to suspension of trading

You may sell your Windlab Shares including on the ASX at any time prior to the close of trading on the Effective Date (expected to be Monday, 15 June 2020) if you do not wish to hold them and participate in the Scheme (normal broker expenses would be incurred on sale).

(b) The Scheme may proceed even if you do not vote or vote against it

If the Scheme Resolution is approved by the Requisite Majorities of Scheme Shareholders, then, subject to other conditions in the Scheme Implementation Agreement being satisfied or waived (as applicable), the Scheme will be implemented and binding on all Scheme Shareholders, including those who did not vote or voted against the Scheme Resolution.

If you vote against the Scheme Resolution and the Scheme Resolution is passed by the Requisite Majorities and the Scheme is implemented, then any Windlab Shares you hold on the Scheme Record Date will be transferred to the Bidder, and you will be paid the Scheme Consideration of $1.00 (notwithstanding that you voted against the Scheme Resolution).

(c) Conditions

The Scheme is subject to a number of Conditions which are described in Section 3.2(a) of this Scheme Booklet. If the Conditions to the Scheme are not satisfied or waived (as applicable), the Scheme will not proceed (even if the Scheme is approved by Scheme Shareholders) and no Windlab Shares will be acquired by the Bidder as contemplated by the Scheme.

Your Directors have reviewed the Conditions and, having regard to Windlab's circumstances and market practice generally, consider them to be acceptable for a transaction of this nature.

As at the date of this Scheme Booklet, your Directors are not aware of any matter that would result in the non-fulfilment of any of the Conditions.

(d) Exclusivity arrangements between Windlab and the Bidder

On 4 March 2020, Windlab and the Bidder HoldCo entered into the Scheme Implementation Agreement. The Scheme Implementation Agreement sets out the obligations of Windlab and the Bidder, in connection with the implementation of the Scheme.

Under the Scheme Implementation Agreement, Windlab has agreed to certain exclusivity arrangements with the Bidder HoldCo which apply during the period beginning on 4 March 2020 and ending on the earlier of the Implementation Date, the date the Scheme Implementation Agreement is terminated and 4 September 2020 (or such other date as Windlab and the Bidder HoldCo agree in writing) (**Exclusivity Period**).

The following is a summary only of the ongoing exclusivity arrangements agreed to in the Scheme Implementation Agreement. The full terms of these exclusivity arrangements are set out in clause 13 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com.

i. No discussions

Subject to the fiduciary exception summarised in Section 4.4(d)(v) below, Windlab must, in respect of any confidentiality or other agreement it has with any person that has been entered into in the last 12 months in connection with the provision of confidential information to that person or in connection with a Competing Proposal, not waive, and must promptly any standstill obligations the agreements.

ii. No shop

During the Exclusivity Period, Windlab must not, and must ensure that neither it nor any of its Related Parties, directly or indirectly:

- solicits, invites, encourages or initiates any expressions of interest, offers, proposals, inquiries, negotiations or discussions; or
- communicates any intention to do any of these things,

with a view to obtaining, or that may be expected to encourage or lead to, an expression of interest, offer or proposal from any person in relation to an actual, proposed or potential Competing Proposal.

iii. No talk

Subject to the fiduciary exception summarised in Section 4.4(d)(v), during the Exclusivity Period, Windlab must not, and must ensure that neither it nor any of its Related Parties, directly or indirectly:

- negotiates, accepts or enters into, or offers to agree to negotiate, accept or enter into; or
- participates in or continues any negotiations or discussions with any other person regarding,

an actual, proposed or potential Competing Proposal or any agreement, arrangement, or understanding that might be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Windlab or any of its Related Parties or the person has publicly announced the Competing Proposal.

iv. Notification of approaches

During the Exclusivity Period, Windlab must promptly, and in any event within 2 Business Days, notify the Bidder HoldCo in writing if Windlab or any of its Related Parties becomes aware of any:

- approach or attempt to initiate discussions or negotiations regarding any actual, proposed or potential Competing Proposal; or
- proposal made to Windlab or any of its Related Parties regarding an actual, proposed or potential Competing Proposal

whether direct or indirect and whether or not that Competing Proposal was solicited, invited, encouraged or initiated by Windlab or any of its Related Parties.

The notification must include notice of:

- the fact of the approach, the material terms and conditions of the Competing Proposal, including the price, and any material updates to the proposal; and
- subject to the fiduciary exception summarised in Section 4.4(d)(v), the identity of the person making the approach (and if different, details of the person making or proposing the relevant Competing Proposal).

v. Exclusivity of due diligence

Subject to the fiduciary exception summarised in Section 4.4(d)(v), Windlab must not, and must ensure that neither it nor any of its Related Parties, in relation to an actual, proposed or potential Competing Proposal:

- enables any other person to undertake due diligence investigations on, or makes available to any other person or permits any other person to receive any non-public information relating to, any member of the Windlab Group or any of the operations or assets of its business; or
- makes available to any other person, or permits any other person to have access to, any officers, employees or premises of the Windlab Group,

other than the Bidder HoldCo and any person nominated by the Bidder HoldCo.

v. Fiduciary exception to some of the exclusivity restrictions on Windlab

The restrictions identified above as being subject to a fiduciary exception, do not apply to the extent that they restrict Windlab from taking or refusing to take any action with respect to a genuine Competing Proposal (which was not directly or indirectly solicited, invited, encouraged or initiated by Windlab or any of its Related Parties) provided that the Windlab Board has first determined, acting in good faith, that:

- after consultation with its financial advisors, such a genuine Competing Proposal is, or could reasonably be considered to become, a Superior Proposal; and
- after receiving written legal advice from its external legal advisors, taking or refusing to take such action in relation to such genuine Competing Proposal would be reasonably likely to constitute a breach of the Windlab Board's fiduciary or statutory obligations.

vi. Non-public information

If any non-public information about the business or affairs of Windlab is provided or made available to any person in connection with any Competing Proposal which has not previously been provided or made available to the Bidder HoldCo, Windlab must promptly, and in any event within 2 Business Days of the provision of the information, provide to the Bidder HoldCo that non-public information.

vii. Windlab's response to a rival bidder and the Bidder's right to respond

If Windlab is permitted by virtue of the fiduciary exception set out in Section 4.4(d)(v) to engage in an activity that would otherwise breach its obligations of no talk, no due diligence or notification of approaches, then Windlab must enter into a confidentiality agreement (**Rival Acquirer CA**) with the person who has made the applicable Competing Proposal (**Rival Acquirer**).

To the extent that the terms of the Rival Acquirer CA are less favourable to Windlab than the confidentiality deed with FAM, Windlab agrees to amend the terms of their confidentiality deed so that the obligations imposed on the Bidder HoldCo under the deed are no less favourable to the Bidder HoldCo than the obligations imposed on the Rival Acquirer under the Rival Acquirer CA.

During the Exclusivity Period, Windlab:

- must not, and must procure that its related bodies corporate do not, enter into any legally binding agreement (whether or not in writing) pursuant to which any person proposes, or proposes to undertake or to give effect to, any Competing Proposal; and
- must use reasonable endeavours to procure that none of your Directors change, withdraw or modify their recommendation or voting intention in favour of the Scheme, publicly recommend, support or endorse a Competing Proposal or make any public statement to the effect that they may do so in the future,

unless:

- the Windlab Board, acting in good faith and in order to satisfy what the Directors consider to be their statutory or fiduciary duties (having received written legal advice from their external legal adviser) determine that the Competing Proposal is, or could reasonably be expected to lead to, a Superior Proposal;
- Windlab has provided the Bidder HoldCo with the material terms and conditions of the Competing Proposal, including the price and identity of the person making the Competing Proposal;
- Windlab has given the Bidder HoldCo at least 5 Business Days from the provision of this information to provide a matching or superior proposal to the terms of the Competing Proposal; and
- Bidder HoldCo has not announced or otherwise formally proposed to Windlab a matching or superior proposal to the terms of the Competing Proposal by the expiry of that 5 Business Day period.

If the Bidder HoldCo provides Windlab with a proposal as contemplated above (**Counterproposal**) Windlab must procure that the Windlab Board considers the Counterproposal and determines whether, acting in good faith, the Counterproposal would provide an equal or superior outcome to Windlab Shareholders compared to the Competing Proposal.

If your Directors determine that Bidder HoldCo's Counterproposal provides an equal or superior outcome to Windlab Shareholders compared to the Competing Proposal, Windlab and the Bidder HoldCo must use their reasonable endeavours to amend the Scheme Implementation Agreement to implement the Counterproposal and Windlab must use reasonable endeavours to procure that each Windlab Director continues to recommend that Scheme Shareholders vote in favour of the Scheme (as modified by the Counterproposal).

If your Directors determine that Bidder HoldCo's Counterproposal would not provide an equal or superior outcome to Windlab Shareholders compared to the Competing Proposal, the Bidder HoldCo may amend the Counterproposal to address the reasons given by Windlab for that determination. The Bidder HoldCo must provide the revised Counterproposal to Windlab within 3 Business Days, in which case the process summarised in the previous paragraph applies to the revised Counterproposal.

(e) Break Fee

If the Scheme does not become effective, depending on the reasons for that, Windlab may have to pay the Break Fee of $700,000 (exclusive of GST) to the Bidder HoldCo out of the assets of Windlab.

Windlab will be required to pay the Break Fee within 10 Business Days of a written demand by the Bidder HoldCo if any of the following occur before the Scheme becomes Effective:

- a Competing Proposal is announced and within 12 months of that announcement the third party or any of its Associates completes a Competing Proposal or enters into a binding agreement, arrangement or understanding to undertake or give effect to a Competing Proposal;
- a Superior Proposal emerges and Windlab terminates the Scheme Implementation Agreement;
- any Windlab director withdraws or adversely modifies his or her recommendation or voting intention, or recommends, supports or endorses a Competing Proposal or if any Windlab director does not vote any Windlab Shares in which they have a Relevant Interest in favour of the resolution to approve the Scheme, in each case other than in circumstances where the Independent Expert does not conclude that the Scheme is in the best interests of Scheme Shareholders;
- Windlab is in material breach of any of its obligations under the Scheme Implementation Agreement and the Bidder HoldCo validly terminates the agreement.

The Break Fee is **not** payable merely because the Scheme Resolution is not passed.

Further detail on the Break Fee is set out in clause 14 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com.

(f) Termination rights

Either Windlab or the Bidder HoldCo may terminate the Scheme Implementation Agreement at any time prior to 8.00am on the Second Court Date if:

- the other commits a material breach of the agreement, which is not remedied within 5 Business Days (or such shorter period ending on the day before the Second Court Date) of a notice to remedy; or
- any of the Conditions are not satisfied or (where permitted) waived in accordance with the Scheme Implementation Agreement.

The Bidder HoldCo may terminate the agreement at any time prior to 8.00 am on the Second Court Date if at any time before then any Windlab Director changes, withdraws or adversely modifies their recommendation or voting intention in favour of the Scheme or publicly recommends, supports or endorses a Competing Proposal, for any reason, whether or not permitted to do so under the agreement, other than:

- where an executive director of Windlab withdraws his or her recommendation, or does not make a recommendation because a Court determines that the executive director has an interest in the Scheme that means he or she may not make or maintain such a recommendation and the Court would be unlikely to grant on order convening the Scheme Meeting or an order approving the Scheme solely as a result of that interest;
- a statement that no action should be taken by Windlab Shareholders pending assessment of a Competing Proposal.

Under the terms of the Scheme Implementation Agreement, the Bidder HoldCo was also entitled to terminate the agreement in certain circumstances where Windlab undertook an "Alternative Financing" (as defined in the Scheme Implementation Agreement). An "Alternative Financing" was only possible prior to the availability of the $20 million subordinated debt facility being made available by entities associated with the Bidder Consortium Members to Windlab. As announced to the ASX on 31 March 2020, the debt facility has been made available to Windlab and Windlab is no longer permitted to undertake an "Alternative Financing".

Windlab may terminate the agreement at any time prior to 8.00 am on the Second Court Date if at any time before then a majority of Windlab Directors withdraws or adversely modifies their recommendation of the Scheme or publicly recommends a Competing Proposal, in each case where permitted to do so under the agreement, but other than a statement that no action should be taken by Windlab Shareholders pending assessment of a Competing Proposal.

(g) Windlab's transaction costs

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by Windlab in relation to the Scheme. Those transaction costs will be payable by Windlab regardless of whether or not the Scheme becomes effective and is implemented. See Section 11.7 of this Scheme Booklet for further information.

5. How to attend and vote at the Scheme Meeting

5.1 The Scheme Meeting

The Scheme will only be implemented if the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting (and the other Conditions, including the Scheme being approved by the Court at the Second Court Hearing, are satisfied).

The Scheme Meeting will be held at 10.30am (Sydney time) on Friday, 5 June 2020.

In light of the COVID-19 outbreak, Windlab is closely following guidance from the State and Federal Governments. Windlab Shareholders will not be able to attend the Scheme Meeting in person. Scheme Shareholders are provided with various alternatives to participate in the Scheme Meeting, as follows:

Watch and participate online	Dial in tele-conference
Scheme Shareholders can watch and participate in the Scheme Meeting virtually via the online platform by using: • a **computer** – online at https://web.lumiagm.com • a **mobile device** – using the Lumi AGM app; or Please refer to the user guide attached to the Notice of Scheme Meeting which is contained in Annexure C to this Scheme Booklet and is on the Windlab website at www.windlab.com. **The meeting ID** for the Scheme Meeting is: 350-072-830 **Your username** is your SRN/HIN **Your password** which is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details. Participation at the Scheme Meeting online enables Scheme Shareholders to view the Scheme Meeting live, ask questions and cast votes at the appropriate times during the Scheme Meeting	Scheme Shareholders can dial in to the Scheme Meeting by tele-conference and will be able to listen to the Scheme Meeting. **Dial in numbers:** **Australia** – (02) 8015 6011 **Outside Australia** – +61 2 8015 6011 **Meeting ID** – 944 0224 4184 Dialing in to the Scheme Meeting by tele-conference will allow you to listen to the Scheme Meeting, but you will not be able to ask questions or cast votes. You will need to vote separately as set out in Section 5.3 below.

Further details regarding the Scheme Meeting are set out in the Notice of Scheme Meeting, which is contained in Annexure C to this Scheme Booklet and Windlab's website at www.windlab.com.

5.2 Voting entitlement

Each Scheme Shareholder (being all Windlab Shareholders other than any Excluded Shareholders) who is registered on the Register at 7.00pm on Wednesday, 3 June 2020 is entitled to participate and vote at the Scheme Meeting. Voting is not compulsory. However, your vote is important for the Scheme to proceed. Your Directors strongly encourage you to exercise your right to vote.

In the case of jointly held Windlab Shares, any one of the joint shareholders is entitled to vote. If more than one Scheme Shareholder votes in respect of jointly held Windlab Shares, only the vote of the Scheme Shareholder whose name appears first in the Register will be accepted.

5.3 How to vote

You may vote on the Scheme Resolution by participating in the Scheme Meeting in person, or by proxy, attorney, or (in the case of a corporate Scheme Shareholder) by corporate representative appointed in accordance with the Corporations Act. Relevant details in respect of each of these methods are set out below.

(a) Voting in person

You may participate in the Scheme Meeting as set out in Section 5.1 of this Scheme Booklet above.

Attending the meeting online or via the Lumi AGM app enables Scheme Shareholders to view the Scheme Meeting live and to also ask questions and cast direct votes at the appropriate times during the Scheme Meeting.

More information regarding participating in the Scheme Meeting online, including browser requirements and how to download the Lumi AGM app, is detailed in the user guide attached to the Notice of Scheme Meeting which is contained in Annexure C to this Scheme Booklet and is on the Windlab website at www.windlab.com.

If you are not able to participate in the Scheme Meeting online or via the Lumi AGM app, Windlab encourages you to submit your vote by proxy as set out below.

(b) Voting by proxy

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by the specified deadline, in accordance with the instructions on the form. You may appoint an individual or body corporate as your proxy. The proxy form must be received by the Share Registry by no later than 10.30am (Sydney time) on Wednesday, 3 June 2020.

(c) Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the Scheme Shareholder's name, the attorney, the meeting at which the appointment may be used and that the power of attorney applies in relation to Windlab. The appointment may be a standing one and the attorney need not be a Windlab Shareholder. The power of attorney must be received by the Share Registry by no later than 10.30am (Sydney time) on Wednesday, 3 June 2020.

(d) Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must be appointed by a duly executed form that complies with the requirements of the Corporations Act. The representative must send this appointment to the Windlab Share Registry in advance of the Scheme Meeting.

(e) Lodgement of proxy forms and powers of attorney

To be effective, the relevant documents to vote by proxy or attorney must be received by the Share Registry in any of the following ways at least 48 hours before the time for commencement of the Scheme Meeting (that is, by 10.30am (Sydney time) on Wednesday, 3 June 2020, or if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting:

By post to:	Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001
Online at:	the Share Registry's website at **www.investorvote.com.au** and logging in using the details shown on the accompanying proxy form
By facsimile to:	Computershare Investor Services Pty Limited on **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia)

5.4 Your choices

As a Scheme Shareholder, you have three choices available to you. These choices are set out below:

(a) Option 1 – Vote at the Scheme Meeting

You can vote at the Scheme Meeting by participating in the Scheme Meeting in person, or by proxy, attorney, or (in the case of a corporate Scheme Shareholder) by corporate representative appointed in accordance with the Corporations Act, in respect of some or all or your Windlab Shares. Details of how to participate in and vote at the Scheme Meeting are set out in Sections 5.1 and 5.3 above. You may vote in favour of or against the Scheme Resolution.

If you vote against the Scheme Resolution and the Scheme Resolution is passed by the Requisite Majorities and the other Conditions to the Scheme are satisfied or (where permitted) waived, then any Windlab Shares you hold on the Scheme Record Date will be transferred to the Bidder, and you will be paid the Scheme Consideration of $1.00 cash for each Windlab Share you hold on the Scheme Record Date.

(b) Option 2 – Sell your Windlab Shares on market

You can sell your Windlab Shares including on the ASX at any time before the close of trading on the Effective Date. Windlab will apply to the ASX to suspend trading on the ASX in Windlab Shares with effect from the close of trading on the Effective Date, so you will not be able to sell your Windlab Shares on market after this time. If you sell your Windlab Shares on the ASX:

- you may pay brokerage on the sale;
- you will not receive the Scheme Consideration; and
- there may be different tax consequences compared with those that would arise if you were to remain a Windlab Shareholder and the Scheme were to be implemented.

Windlab Shareholders who wish to sell some or all of their Windlab Shares on the ASX should contact their broker for information on how to effect the sale.

(c) Option 3 – Do nothing

If you do not wish to vote for or against the Scheme Resolution, or sell your Windlab Shares on the ASX, you may choose to do nothing. If you do nothing and the Scheme Resolution is passed by the Requisite Majorities and the other Conditions to the Scheme are satisfied or (where permitted) waived, then any Windlab Shares you hold on the Scheme Record Date will be transferred to the Bidder, and you will be paid the Scheme Consideration of $1.00 cash for each Windlab Share you hold on the Scheme Record Date.

5.5 What to do next

You should read and consider the remainder of this Scheme Booklet in full before making any decision on whether to vote in favour of the Scheme Resolution. If you have any questions about this Scheme Booklet or the Scheme, please consult your broker or financial or legal adviser, or call the Windlab Shareholder Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia).

6. Information about Windlab

6.1 Overview of Windlab

Windlab is an international wind energy development company, with its head office in Canberra, Australia. Windlab's operations are focused across Australia, South Africa and East Africa.

Windlab was established in 2003 to commercialise a leading atmospheric modelling and wind energy assessment technology, *WindScape*™, which was originally developed by the CSIRO. Since 2003, Windlab has continued to apply and develop its proprietary *WindScape* technology to identify, acquire and develop wind farms in Australia and internationally.

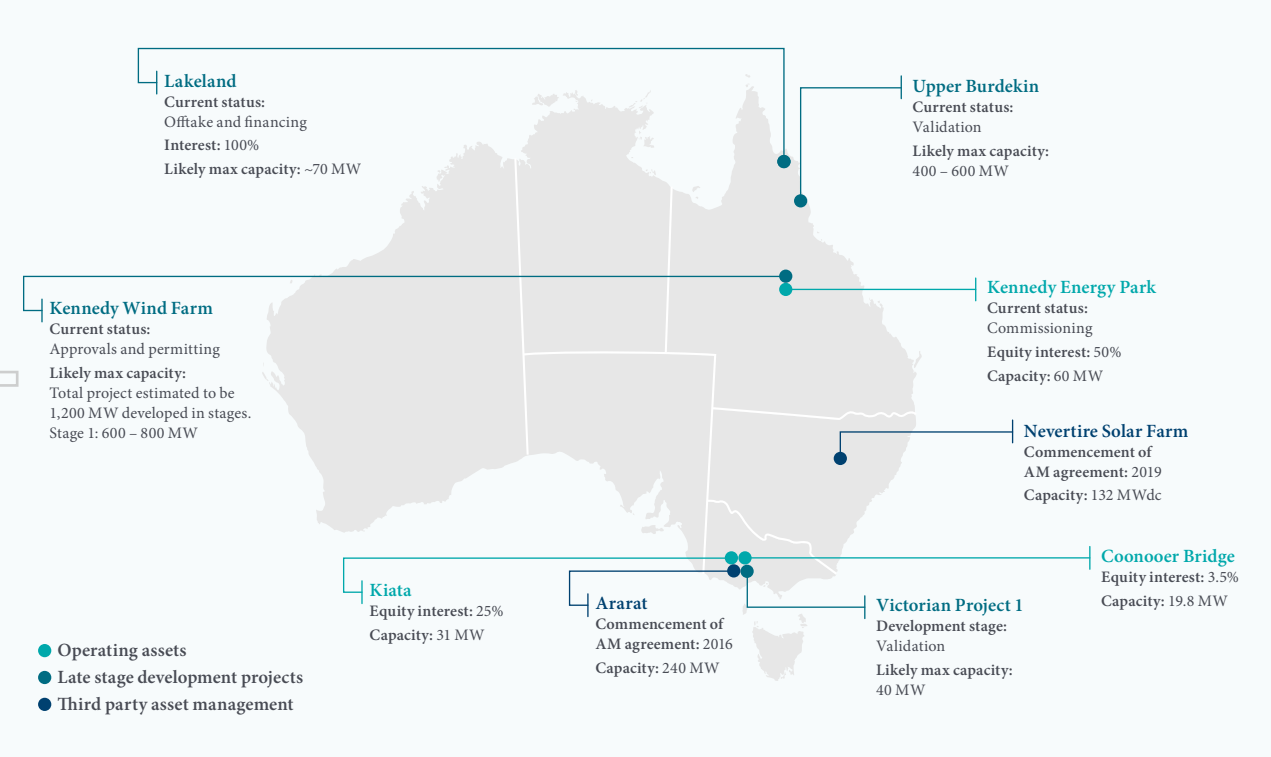
Windlab has a track record of wind farm development success, having previously been involved in the development of nine projects with 1,093 MW of operating capacity across multiple jurisdictions[8]. Three of these projects, accounting for a total of 111 MW of operating capacity, were developed by Windlab from initial identification through to financial close and Windlab continues to hold an ownership stake.

Windlab listed on the Australian Securities Exchange (ASX:WND) in 2017.

6.2 Portfolio summary

Windlab's business includes the development of wind farms, asset management operations and ownership interests in established operating wind farms. The latter two activities provide Windlab with annual cashflows through either asset management fees or the receipt of dividends or royalties from the operating projects. A summary of Windlab's operations is below, noting that this only includes near to medium term development projects (please see Section 6.2.1 for a summary of the total development pipeline).

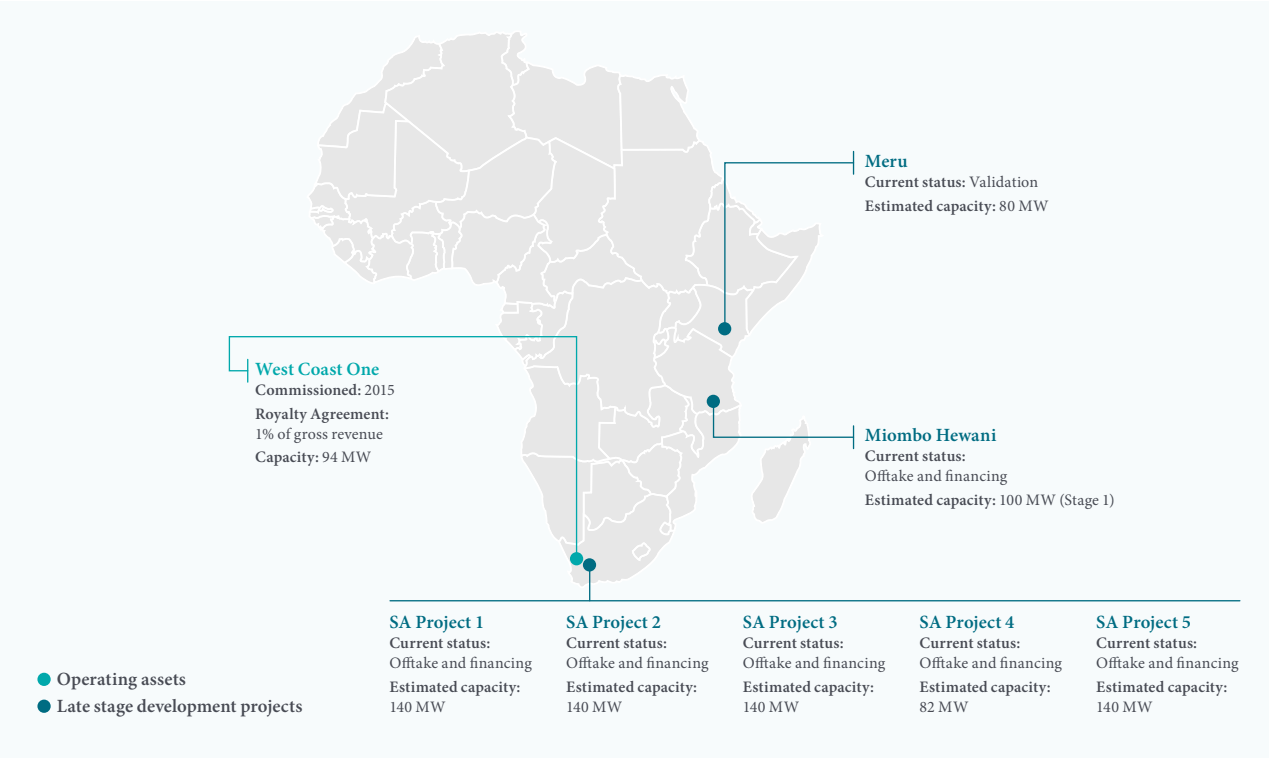
Windlab's Australian portfolio



* Where used above "*AM agreement*" refers to an "Asset Management Agreement"

8. Includes wind farm assets developed and controlled by Windlab and partnered projects which were initially developed by Windlab and subsequently sold to a third party prior to that party progressing the project to financial close.

Windlab's South African and East African portfolio



In addition to its Australian and African portfolios, until recently, Windlab had operations in the North American market through the ownership of commercial interests in the Verdigre Wind Farm development project in Nebraska, US and the Greenwich Wind Farm development project in Ohio, US. In December 2019, Windlab announced its plans to exit operations in this market in part due to ongoing delays experienced with the development of these two projects, changes to the regulatory framework and the reduction of Production Tax Credits incentives for renewable energy projects. Windlab continues to hold its commercial interests in Verdigre and Greenwich which are now being managed by Windlab's Australian management team[9]. Further, Windlab continues to own two development assets in Colorado, US and expects to call for expressions of interest for the sale of these assets over the short to medium term (subject to market conditions).

9. Windlab previously sold both the Verdigre Wind Farm and Greenwich Wind Farm but maintains rights to success fee payments on those projects receiving a 'notice to proceed'.

6.2.1 Development Portfolio

Windlab applies a disciplined and rigorous approach to the development of windfarm projects that includes multiple layers of feasibility analysis, investment review and approval processes.

A summary of Windlab's development process is provided in the table below.

Windlab's wind farm development process

Stage of development	Outline
Pre-development Stage Prospecting	• Windlab uses WindScape to perform a desktop search of vast land areas from its headquarters based in Canberra • Windlab determines precise locations of possible wind farms and ultimately design virtual wind farms at a desktop level • For promising locations, Windlab staff conduct site visits where they assess potential risks with the project and may undertake engagement with key community stakeholders
Development Stage 1 Acquisition	• Site securement process involving landholder negotiations • Agree monitoring and access agreements and complete the sign up of landowners involved in the project • Where possible enter into an option for a long-term lease or similar arrangement
Development Stage 2 Validation	• Initial project financial feasibility assessment • Installation of wind monitoring equipment • Conduct a grid connection enquiry and preliminary feasibility study • Preliminary environmental and heritage studies • Preliminary planning study to understand approvals process and discussions with planning authorities • Preliminary market study to assess potential to obtain offtake agreements and pricing
Development Stage 3 Approvals and Permitting	• Complete all necessary environmental studies • Collect data from wind monitoring mast • Solicit bids for the supply of turbines and balance of plant. The turbine manufacturers in conjunction with Windlab makes an assessment of the appropriate turbine models (including size and weight) given the wind characteristics of the site • Lodgement of a grid connection application • Apply for all planning and environmental permits required to allow construction of the wind farm
Development Stage 4 Offtake and Financing	• Execution of final leases with landowners • Determine optimal balance between offtake agreements and spot market exposure • Assess, negotiate and conclude off-take agreements for the sale of electricity and LGCs (as applicable) • Negotiate debt finance and equity sell-down • Negotiate of Generator Performance Standards with the network service provider and regulators

Windlab currently has a geographically diverse development portfolio of 48 projects, which are at various stages of development and represent an estimated total potential capacity of approximately 8,600 MW[10].

10. Includes 'Partnered Projects' which were initially developed by Windlab and subsequently sold to a third party. These projects have success payments due on financial close, or commercial operations date, or both, which are proportional to the ultimate size of the project.

Windlab's development portfolio contains both "owned" projects and "partnered" projects. Windlab's revenue model for owned development projects differs to that of partnered projects as follows:

- For **owned** projects, Windlab seeks to generate development margins from the sale or part sale of projects at or near financial close. Windlab targets an average $250,000/MW in development margin at financial close, which typically equates to 8% – 12% of total capital expenditure for the Project[11]. This development margin is received through a combination of cash and carried interest in the project.
- **Partnered** projects are projects which were initially developed by Windlab and subsequently sold to a third party. These projects have success payments which are typically received on completion of certain development milestones and/or when a project reaches financial close. Success fees are typically proportional to the ultimate size of the project and the stage of the project when it is partnered. Windlab typically does not control the development process or timetable for a partnered project.

As at 1 April 2020, Windlab's development portfolio contains approximately 7,265 MW of potential owned capacity across 37 projects and approximately 1,374 MW of potential partnered capacity across 11 projects.

Windlab's development portfolio[12]

			Stage of development				
			Acquisition	Validation	Approvals & permitting	Offtake & financing	Total
Australia	Owned	*MW*	480	1,840	1,200[1]	73	**3,593**
		# projects	3	5	1	1	**10**
	Partnered	*MW*	–	500	–	232	**732**
		# projects	–	3	–	2	**5**
South Africa	Owned	*MW*	500	250	40	642	**1,432**
		# projects	1	1	1	5	**8**
	Partnered	*MW*	200	100	–	–	**300**
		# projects	2	1	–	–	**3**
Sub Saharan Africa	Owned	*MW*	1,230	260	–	300	**1,790**
		# projects	13	2	–	2	**17**
	Partnered	*MW*	–	–	–	–	**–**
		# projects	–	–	–	–	**–**
North America[2]	Owned	*MW*	–	450	–	–	**450**
		# projects	–	2	–	–	**2**
	Partnered	*MW*	–	–	80	262	**342**
		# projects	–	–	1	2	**3**
Total	Owned	*MW*	**2,210**	**2,800**	**1,240**	**1,015**	**7,265**
		# projects	**17**	**10**	**2**	**8**	**37**
	Partnered	*MW*	**200**	**600**	**80**	**494**	**1,374**
		# projects	**2**	**4**	**1**	**4**	**11**

Notes:

1. Kennedy Wind Farm is estimated to be up to a 1,200 MW project developed in stages.
2. Windlab has announced plans to exit the North American market as outlined in Section 6.2 of this Scheme Booklet.

11. In general, development margin equates to the net present value of the forecast project cash flows at financial close minus the cost of construction. Actual development margin received for a particular project is subject to the specific economic and operational parameters of the project including capacity factors and cost of debt and equity at financial close. Where a competitive auction process for the purchase of electricity is undertaken (for example, as expected in South Africa), Windlab would expect to achieve lower development margins for a given project.
12. As at 1 April 2020.

(a) Key near to medium term development projects

Of the 37 owned projects in Windlab's development portfolio, Windlab's business plan is focused on progressing 11 projects equating to ~1,900 to 2,300MW of potential capacity towards financial close over the short to medium term.

Windlab's near to medium term development portfolio

	Project	Location	Development stage	Estimated capacity (MW)	Expected electricity pricing parameters
Australia	Lakeland	North Queensland	Stage 4 – Offtake and financing	70	PPA & Merchant
	Upper Burdekin	North Queensland	Stage 2 – Validation	400 – 600	PPA & Merchant
	Victorian Project 1	Victoria	Stage 2 – Validation	40	PPA & Merchant
	Kennedy Wind Farm ("Big Kennedy")	North Queensland	Stage 3 – Approvals and permitting	600 – 800[1]	PPA & Merchant
South Africa	SA Project 1	Eastern Cape	Stage 4 – Offtake and financing	140	PPA
	SA Project 2	Western Cape	Stage 4 – Offtake and financing	140	PPA
	SA Project 3	Western Cape	Stage 4 – Offtake and financing	140	PPA
	SA Project 4	Eastern Cape	Stage 4 – Offtake and financing	82	PPA
	SA Project 5	Western Cape	Stage 4 – Offtake and financing	140	PPA
Sub Saharan Africa	Miombo Hewani	Tanzania	Stage 4 – Offtake and financing	100[2]	PPA
	Meru Energy Park	Kenya	Stage 2 – Validation	80	PPA

Notes:

1. Kennedy Wind Farm is estimated to be up to a 1,200MW project developed in stages. Stage 1 only has been included in the table above.
2. Miombo Hewani is estimated to be up to a 300MW project developed in stages. Stage 1 only has been included above.

(b) Key Australian development projects

Lakeland Wind Farm (LWF)

LWF is located 65 kilometres South West of Cooktown, Queensland. The project is planned to have a nameplate capacity of ~70MW based on 17 wind turbines. The project has development approval for a total of 28 wind turbines.

In 2018 a potential equity partner withdrew from the project, citing its inability to price risks associated with the project's grid connection, including the risk of network losses and risk of curtailment. The project has since been re-optimised from its initial name plate capacity of 100 MW to take into account new network operating requirements, the removal of a proposed solar project as a committed generator and to reduce network losses. The smaller size

reduces grid risk significantly and likely removes the need for additional reactive grid support, reducing cost and timeframe compared to the larger project configuration.

The project will connect to the Ergon Lakeland substation via a 10-kilometre 132kV line. Ergon have completed a detailed scope and cost estimate for the connection. Grid connection for the project in its current configuration is well progressed.

All land required for the project and necessary electrical infrastructure to connect the project to the substation has been secured by way of financeable options-to-lease agreements and easements.

LWF holds a draft PPA with Flow Power for the sale of 50% of electricity and associated LGCs for a period of up to 10 years and a further PPA with Transurban for 20% of the projects' output for 10 years. The balance of energy and LGCs not contracted under PPAs is expected to be sold on a merchant basis.

A preferred supplier has been selected to provide engineering, procurement and construction (**EPC**) and Warranty Operating and Maintenance (**WOM**) services. Detailed negotiations are well advanced with relevant documentation close to complete. Early works have commenced on certain activities including a transport study.

Windlab is progressing with debt and equity funding packages for the project and while the timing of financial close is uncertain and subject to approval of the grid connection and other factors, it is expected to occur during 2020.

Windlab currently owns 100% of the LWF project. At financial close, local community members will own 1.5%. Windlab plans to retain a minority carried equity interest and the balance will be owned by an incoming equity investor. Consistent with its business plan, Windlab expects to provide asset management services to the project through construction and into operations.

Upper Burdekin Wind Farm (Upper Burdekin)

Upper Burdekin is located in North Queensland. Management estimate the project site will support a nameplate capacity of approximately 400 – 600 MW.

Windlab has completed wind monitoring and assessment activity including on-site wind monitoring since December 2018. A number of environmental studies, feasibility studies and land securement measures have also been completed.

The project is traversed by an existing 275kV transmission link and a review of the grid connection process is underway.

Windlab expects that Upper Burdekin will be the next development portfolio project to reach financial close after LWF. In order to reach financial close, the following key milestones must occur:

- receipt of Development Approval;
- securing a PPA for energy offtake;
- finalisation of grid connection approvals; and
- securing debt and equity funding.

Windlab currently owns 100% of the project. Consistent with its strategy for Australian development projects, Windlab plans to sell its stake down to 15-20% at financial close and provide asset management services for Upper Burdekin through construction and operations.

Victorian Project 1

Victorian Project 1 is located northwest of Melbourne. The project is expected to have a generation capacity of approximately 40 MW via a combination of wind and solar generation possibly combined with battery storage.

The site for Victorian Project 1 is on Crown land with a perpetual license for forestry use. Windlab is working with various parties to implement the required regulatory and legislative changes to the land category to enable wind farm development.

On establishment, Windlab expects to own 85% of the shares in the Victorian Project 1 special purpose vehicle (**SPV**), with a local group of residents owning the remaining 15%. Consistent with its strategy for Australian development projects Windlab plans to sell its stake down to 15 – 20% at financial close and provide asset management services for Victorian Project 1 through construction and operations.

Kennedy Wind Farm (KWF or Big Kennedy)

KWF is located in North Queensland. While the total site is expected to support more than up to 1,200 MW of wind energy generation, Management expect the project to be developed in stages, with the first stage currently envisaged to be in the range of approximately 600 to 800 MW.

Windlab has completed extensive wind and solar resource monitoring and assessment and an indigenous land use agreement has been finalised with the local Yirrandali people.

A challenge with KWF relates to its scale and the need for a high capacity, high voltage transmission line to connect the project to the National Electricity Market (**NEM**), some 250 kilometres away.

The CopperString 2.0 project, is a proposed 950 km, 275kV transmission link between the NEM and the North West Mineral Region at Mount Isa in North-west Queensland. It is Windlab management's view that CopperString 2.0 represents the best option for a transmission solution for KWF.

Windlab currently plans to pace the development of KWF to meet the timing of the proposed CopperString 2.0 transmission line. In order to reach financial close, the following key milestones must occur:

- receipt of Development Approval;
- CopperString 2.0 to be developed and constructed;
- complete development approval for transmission spur to Hughenden, and finalise grid connection approvals;
- securing a PPA for energy offtake; and
- securing debt and equity funding.

(c) South African development projects

Five of Windlab's development projects in South Africa are fully approved and ready to be bid into the next round of the Renewable Energy Independent Power Producer Procurement Programme (**REIPPPP**)[13]. The projects have a combined proposed capacity of 642 MW. Three of the projects (420 MW) are located in the Western Province, with the other two projects (222 MW) located in the Eastern Province of South Africa.

The South African government has gazetted a revision to the country's Integrated Resource Plan (**IRP**), a road map for transitioning the country to a future sustainable electricity network. This IRP calls for a further 14,400 MW of new wind energy to be operating by 2030. In February 2020 the Minister of Mineral Resources and Energy in consultation with the National Energy Regulator of South Africa determined that new generation capacity is needed to be procured to contribute towards energy security. This is to include 6,800 MW to be sourced from solar and wind generation.

Windlab management remains of the view that if the current REIPPPP impasse can be overcome, Windlab's projects are well positioned to bid successfully into future REIPPPP rounds to meet the stated demand of the South African Government.

The timing for financial close of any of Windlab's South African projects is subject to the commencement of Round 5 of the REIPPPP, Windlab's bid strategy into that round and Windlab's bid ultimately being successful.

13. South Africa's REIPPPP is a public procurement program allowing independent power producers (IPPs) to submit bids to design, develop and operate large-scale renewable energy power plants. The REIPPPP was implemented by South Africa's Department of Energy (DOE) in 2011. The REIPPPP created the platform through which the private sector would develop renewable energy projects in South Africa and enter into PPAs with state owned utility, Eskom.

(d) Windlab East Africa

In February 2019, Windlab announced an agreement for the investment of US$10 million by Eurus Energy Holdings Corporation (**Eurus**) for a 25% ownership stake in Windlab's East African portfolio of development project, under Windlab Africa Pty Ltd (**WEA**). WEA is a South African registered subsidiary of Windlab and holds the existing project development assets as well as the right to future projects in Ethiopia, Kenya, Tanzania, Zambia, Uganda, Rwanda, Burundi and Malawi. Eurus have proportional board representation of WEA, customary minority protections and a first right to provide equity, on competitive terms for the construction of the projects in the respective countries. For the avoidance of doubt, Windlab's assets in South Africa and Mozambique are not part of WEA.

WEA is currently focused on progressing two projects in Sub-Saharan Africa (**SSA**) towards financial close over the short to medium term as outlined below.

Meru County Energy Park (Meru)

Meru is located in Meru County near Isiolo in Kenya. WEA owns 95% of the project, with Meru County Investment and Development Corporation (**MCIDC**) owning 5%. The project is expected to be around 80 MW (**Phase I**) comprising wind, solar PV and potential storage. There is also potential for a future phase of the project for another 80 MW of capacity.

Windlab provides the following update in relation to Phase 1 of Meru:

- a memorandum of understanding has been in place since August 2019 between WEA, MCIDC, Eurus Energy and the Kenyan Government (via the Kenyan Investment Authority, KenInvest) to formalise collaboration around delivering Africa's first hybrid renewable energy facility;
- pre-feasibility studies and a meteorological mast instillation have been completed;
- bird, bat and environmental and social impact assessments are underway;
- PPA offtake discussions are ongoing;
- land exclusivity is maintained by a joint development agreement with the Meru County Investment Development Corporation. Land surveying and title allocation is required on over 1,000 parcels to implement long term lease arrangements;

The target financial close timeframe is dependent on the successful negotiation of a Public Private Partnership PPA with the project development partners (Meru County) and Kenya Power. A delay in, or failure to procure such a PPA will have an impact on the timing and prospects of the project.

Miombo Hewani

Miombo Hewani is located near Makambako in the Njome Region of Tanzania. Phase 1 of the project is estimated to be 100 MW. Up to another two phases of the project, which are expected to have an estimated impact of 100 MW each, may be delivered over the next two to four years following Phase 1, subject to government procurement timelines. A development approval has been received and Phase 1 of the project has been pre-qualified in the government procurement process.

Phase 1 of the project is subject to a Government sponsored Tanesco RFP which was submitted in February 2020. Windlab expects an announcement on the outcome of the RFP in the first half of 2020.

The targeted timetable for financial close assumes that a submitted bid is successful, Tanesco maintains its current proposed timeline and a PPA can be executed with Tanesco on terms which facilitate third party debt and equity support for the project.

6.2.2 Operating projects

6.2.2.1 Operating projects

Windlab has ownership stakes in three constructed projects in Australia, and a right to royalty payments from an operating project in South Africa as outlined in the table below.

Project	Type	Location	Commercial operations	Windlab Interest	Project capacity	FY2019 distribution to Windlab ($'000)
Coonooer Bridge	Wind	VIC	2016	3.5%	19.8 MW	37.6
Kiata	Wind	VIC	2018	25%	31 MW	464.5
Kennedy Energy Park	Hybrid (Wind/Solar/ Battery)	QLD	2020 (expected)	50%	60 MW	n/a
West Coast One	Wind	South Africa	2015	n/a	94 MW	363.5

6.2.2.2 Current positions of Kennedy Energy Park (KEP)

KEP is the world's first utility scale hybrid wind-solar-battery power plant. The project was jointly developed and is now owned by Windlab (50%) and Eurus Energy Holdings Corporation (50%). KEP is located near Hughenden in North Queensland and comprises 43 MW of wind turbines, 18MW of solar panels and a 4MWh battery.

Construction on the project commenced in December 2017 and was substantially completed in December 2018. However, the project has experienced delays in completion of its grid connection, generator performance standards and subsequent registration as a generator.

On 5 August 2019, Windlab announced that KEP had been connected to the electricity grid and electricity generation had commenced. The project has commenced commissioning and testing and progressively exporting electricity to the network, initially under a 5 MW export limit until the Australian Energy Marker Operator (**AEMO**) registers the project as a generator.

As a result of the delays to the project, KEP invoiced the KEP Contractor for delay liquidated damages (**DLDs**), as defined in the KEP EPC Contract, in July 2019 and August 2019. The EPC Contractor disputed those invoices and a dispute resolution process under the KEP EPC Contract was commenced. Further details are set out in Windlab's announcement to the ASX on 12 November 2019.

On 7 February 2020, Windlab announced to the ASX that an adjudication determination had been received. The adjudication determination required Kennedy Energy Park to pay $0.9 million in milestone payments previously withheld, and $6.6 million in variation claims and delay costs, plus GST. The adjudicator also denied payment of $19.6 million of the KEP Contractor's claims, and reversed KEP's previously invoiced DLDs and indemnity costs, which remain unpaid by the KEP Contractor. Unless the parties reach a commercial resolution, the matters the subject of the adjudication are likely to be the subject of future legal proceedings that will finally resolve the dispute between the parties, including KEP's entitlement to liquidated damages and indemnity costs.

On 13 February 2020, KEP agreed to a standstill with the KEP Contractor regarding the adjudication determination and the ongoing contractual dispute. During this stand-still the parties agreed to, in good faith seek an overall commercial resolution of all disputed claims and provide KEP with certainty concerning the outstanding network system registration and commercial operation of the project. On 27 April 2020, Windlab announced that KEP and the KEP Contractor had agreed to extend the stand-still until the earlier of 29 May 2020 and the conclusion and execution of a settlement deed resolving all of the disputed claims.

The priority and intent of all parties is to successfully complete the project as soon as possible.

The audit report in respect of Windlab's financial statements for the year ended 31 December 2019 notes that the Windlab Group recognised its share of an impairment loss in respect of KEP which equated to $14,657,557 and which reflects the impairment of a cash generating unit owned by KEP. The audit report provides a qualified opinion in respect of the carrying value of this asset for the reason that there are a number of uncertainties surrounding the numerous assumptions used to value the cash generating unit owned by KEP and the auditor has been unable to obtain sufficient appropriate audit evidence to opine on these uncertainties within the bounds of a materiality threshold and therefore the value of the investment in KEP may be materially higher or lower than the value reported in the financial report of KEP.

6.2.3 Asset Management contracts

Windlab provides wind farm management services for projects through construction and operations for both Windlab and third party owned projects. In 2019 Windlab received $3.7 million in revenue from its asset management operations.

Existing Asset Management Agreements

Project	Size (MW)	Origin[1]	Contract terms
Coonooer Bridge	20	Windlab	20 years. Commenced in 2016
Ararat	240	Third party	10 years. Commenced in 2016
Kiata	31	Windlab	Construction, plus 5 years, with 5 year option at Windlab's discretion. Operations commenced in December 2017
KEP	60	Windlab	Construction, plus 20 years. Operations expected to commence in 2019
Nevertire Solar Farm	132 (MWdc)	Third party	5 years. Commenced in 2019, limited scope with additional services. Additional scopes of work were provided in 2019

Notes:

1. Reference to '*Windlab*' means the project was developed and is currently owned by Windlab. '*Third party*' means Windlab had no involvement in the development, nor does it own an equity interest in the project.

Windlab's intention is to retain asset management rights for projects which it develops in Australia and South Africa. For example, in relation to the Lakeland Windfarm project, management expect to retain asset management rights for the project throughout construction and commercial operations. In addition to this, Windlab is actively pursuing asset management opportunities for third party renewable energy projects in Australia and may look to expand its operations internationally in the future.

6.3 Windlab Board and senior management

6.3.1 Board

As at the date of this Scheme Booklet, the Windlab Board comprises:

Name	Current position
Roger Price	Executive Chairman and Chief Executive Officer
Joseph O'Brien	Independent Non-Executive Director
Charles Macek	Independent Non-Executive Director
Pippa Downes	Independent Non-Executive Director

6.3.2 Senior Management

As at the date of this Scheme Booklet, the senior management team of Windlab comprises:

Name	Current position
Roger Price	Executive Chairman and Chief Executive Officer
Rob Fisher	Chief Financial Officer and Chief Operating Officer
Dr Nathan Steggel	Technical Director and Co-Founder
Mark Pickering	General Manager, Windlab Asset Management
Achim Hoehne	General Manager, Australia
Peter Venn	Managing Director, Africa
Katherine Persson	Managing Director, Windlab East Africa

6.4 Capital structure

6.4.1 Capital structure and market capitalisation

As at the date of this Scheme Booklet, Windlab has:

- 68,212,586 Windlab Shares on issue;
- 1,410,668 Windlab Warrants on issue[14];
- 3,962,000 Windlab Options on issue; and
- 561,210 Performance Rights on issue.

See section 3.2 for further information on the intended treatment of the Options, Warrants and Performance Rights in connection with the Scheme.

As at 23 April 2020, being the last practicable date before the date of the First Court Hearing to convene the Scheme Meeting, Windlab had a market capitalisation of approximately $64.120 million (based on a closing price of $0.94 per Windlab Share and 68,212,586 Shares on issue).

6.4.2 Substantial shareholders

Based on publicly available information, as at 23 April 2020 (being the last practicable date before the date of this Scheme Booklet), Windlab has received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act.

Name	Number of Windlab Shares	Percentage
Equity Trustees Limited as trustee for Federation Alternative Assets Renewable Energy Asset Trust 1A1	12,771,426	18.72%
Lendlease Ventures Pty Ltd	11,477,728	16.83%
Rhodium Capital Pty Limited as Trustee for Rhodium Investment Trust	5,188,519	7.61%
Jencay Capital Pty Limited	4,502,278	6.60%
Moelis Australia Asset Management	3,969,051	5.82%

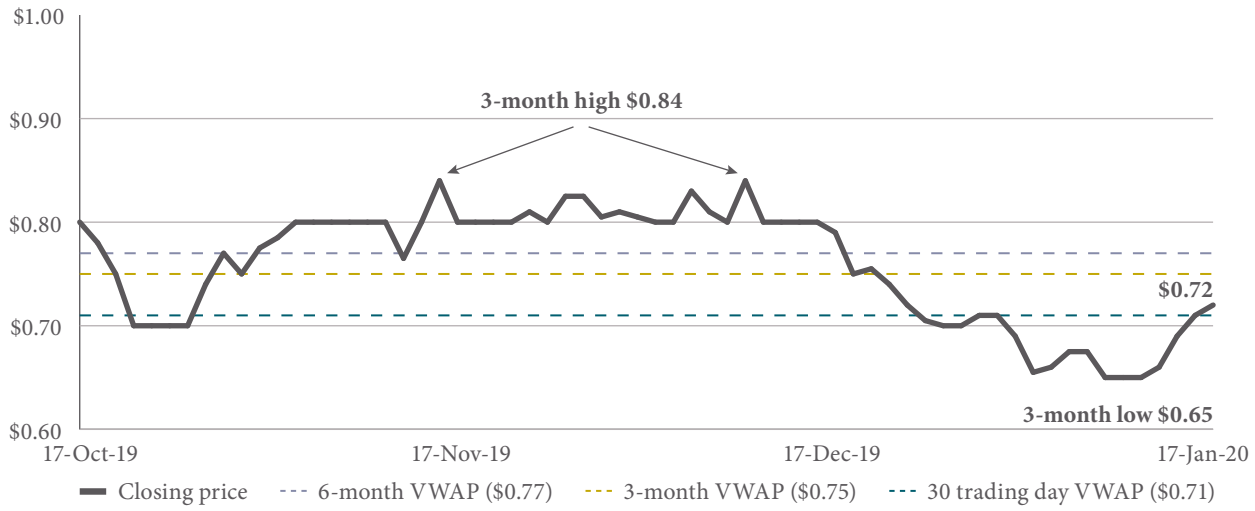
14. There are 300,000 Windlab Warrants on issue with an exercise price of $2.00 and an expiry date of 4 May 2020. It is expected that these Windlab Warrants will expire and lapse in accordance with their terms prior to the Implementation of the Scheme.

6.5 Recent Windlab share price history

Windlab's Shares are listed on the ASX under the trading symbol 'WND'.

On 20 January 2020, Windlab announced that it had received a non-binding and indicative proposal from Federation pursuant to which funds managed or advised by Federation would acquire 100% all Windlab Shares for $1.00 per share in cash by way of a scheme of arrangement. The closing price of Windlab Shares on 17 January 2020 (being the last trading day prior to the announcement of the indicative proposal) was $0.72.

The graph below shows the closing Windlab Share Price during the three months ended 17 January 2020.



Source: FactSet.

As at 17 January 2020, being the last day before the announcement by Windlab in relation to the non-binding and indicative proposal from Federation:

- the last recorded Windlab Share Price was $0.72;
- the 30 trading day VWAP of Windlab Shares was $0.71;
- the 3-month VWAP of Windlab Shares was $0.75;
- the 6-month VWAP of Windlab Shares was $0.77;
- the lowest and highest closing Windlab Share Prices during the preceding 3 months were $0.65 and $0.84 respectively.

6.6 Financial information

6.6.1 Basis of preparation

The following section summarises certain financial information about Windlab for the years ended 31 December 2018 and 31 December 2019. The financial information is this section is a summary only and is prepared for the purposes of this Scheme Booklet. The information has been extracted from the audited financial reports of Windlab for the years ended 31 December 2018 and 31 December 2019[15].

As a result of a change in accounting policy, Windlab restated its 31 December 2018 statement of financial position and statement of comprehensive income statement.

15. Note that the audit report for the Windlab Group's financial statements for the year ended 31 December 2019 includes a qualified opinion because of uncertainties in respect of the KEP project (further details are set out in Section 6.2.2.2).

6. Information about Windlab (continued)

Further detail on Windlab's latest financial performance can be found within the financial statements for the year ended 31 December 2019 as announced to the ASX on 31 March 2020 and which can be found at the Windlab website (www.windlab.com).

6.6.2 Consolidated statement of comprehensive income

Set out below is a summary of Windlab's consolidated statement of comprehensive income for the years ended 31 December 2018 (restated) and 31 December 2019.

	2018 (Restated)	2019
	$	$
Revenue from contracts with customers	3,488,576	4,043,669
Other income	513,785	1,378,072
Share of (loss)/profit from associate and joint venture	2,072,397	(11,233,246)
Project expenses	(784,254)	(1,566,719)
Loss on loss of control of subsidiary	(3,837,533)	–
Employee expenses	(5,465,906)	(7,562,234)
Administration expenses	(2,505,421)	(2,819,055)
EBITDA	**(6,518,356)**	**(17,759,513)**
Depreciation and amortisation expenses	(136,445)	(351,376)
Finance costs	(55,013)	(200,634)
(Loss) before tax	**(6,709,814)**	**(18,311,523)**
Tax benefit	2,760,095	6,614,658
(Loss) for the period	**(3,949,719)**	**(11,696,865)**
Other comprehensive income		
Items that may be reclassified subsequently to the profit or loss		
Exchange differences on translating foreign operations	(206,954)	153,981
Share of other comprehensive income of equity accounted investments	(145,857)	(1,257,462)
Other comprehensive (loss) for the period, net of tax	**(352,811)**	**(1,103,481)**
Total comprehensive (loss) for the period, net of tax	**(4,302,530)**	**(12,800,346)**
Total comprehensive (loss)/income for the period attributable to		
Owners of the parent	(4,406,848)	(12,218,155)
Non-controlling interest	104,318	(582,191)
	(4,302,530)	**(12,800,346)**

	2018	2019
	$	$
EARNINGS PER SHARE		
Basic earnings per share	(0.06)	(0.17)
Diluted earnings per share	(0.06)	(0.17)

6.6.3 Consolidated statement of financial position

Set out below is the summary of Windlab's consolidated statement of financial position for the financial years ended 31 December 2018 (restated) and 31 December 2019.

	2018 (Restated)	2019
	$	$
CURRENT ASSETS		
Cash and cash equivalents	4,682,414	15,539,823
Trade and other receivables	1,475,307	2,574,701
Inventory	5,022,779	5,638,511
Prepayments	736,251	804,255
TOTAL CURRENT ASSETS	**11,916,751**	**24,557,290**
NON-CURRENT ASSETS		
Property, plant and equipment	592,192	960,557
Investments accounted for using the equity method – KEP	23,568,367	11,870,621
Investments accounted for using the equity method – Kiata Wind Farm	10,474,632	8,874,575
Investments at fair value	522,372	522,372
Inventory	4,665,931	6,802,898
Deferred tax asset	–	5,079,911
Prepayments	143,049	132,288
TOTAL NON-CURRENT ASSETS	**39,966,543**	**34,243,222**
TOTAL ASSETS	**51,883,294**	**58,800,512**
CURRENT LIABILITIES		
Trade and other payables	2,415,632	1,911,974
Interest bearing liabilities	607	3,195,569
Contract liability	–	5,287
Income tax payable	577,349	–
Employee benefit liabilities	822,794	1,355,831
Lease liabilities	–	189,500
TOTAL CURRENT LIABILITIES	**3,816,382**	**6,658,161**
NON-CURRENT LIABILITIES		
Interest bearing liabilities	3,030,689	6,645,301
Deferred tax liability	1,190,542	–
Employee benefit liabilities	172,618	109,971
Lease liabilities	–	24,981
TOTAL NON-CURRENT LIABILITIES	**4,393,849**	**6,780,253**
TOTAL LIABILITIES	**8,210,231**	**13,438,414**
NET ASSETS	**43,673,063**	**45,362,098**
EQUITY		
Issued capital	53,703,322	53,930,617
Additional paid-in capital	–	9,700,977
Accumulated (loss)	(9,730,946)	(20,589,079)
Hedge reserves	(145,857)	(1,403,319)
Other reserves	(208,177)	529,411
Capital and reserves attributable to owners of Windlab	43,618,342	42,168,607
Non-controlling interests	54,721	3,193,491
TOTAL EQUITY	**43,673,063**	**45,362,098**

6.6.4 Consolidated statement of cash flows

Set out below is the summary of Windlab's consolidated statement of cash flows for the financial years ended 31 December 2018 and 31 December 2019.

	2018	2019
	$	$
OPERATING ACTIVITIES		
Receipts from customers	3,943,506	5,122,679
Payments to suppliers and employees	(9,586,738)	(9,432,767)
Payments for inventory and projects	(3,390,278)	(4,841,408)
Interest received	63,639	90,347
Tax paid	–	(497,189)
Finance costs	(273,911)	(704,040)
Net cash (used in) operating activities	**(9,243,782)**	**(10,262,378)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(375,188)	(713,765)
Proceeds from sale of property, plant and equipment	1,063	–
Proceeds/(payments) from security deposits	(110,673)	1,449
Dividends from investment	63,021	37,564
Distributions from associate	2,047,755	1,078,311
Investments in associates	–	–
Net cash from investing activities	**1,625,978**	**403,559**
FINANCING ACTIVITIES		
Proceeds from issue of share capital	42,580	14,195,401
Payment of principal portion of lease liabilities	–	(190,987)
Transaction costs on issue of shares	–	(237,717)
Proceeds from borrowings	–	9,779,683
Repayments of borrowings	(1,945,203)	(3,000,000)
Net cash from/(used in) financing activities	**(1,902,623)**	**20,546,380**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(9,520,427)**	**10,687,561**
Cash and cash equivalents, beginning of period	14,230,978	4,682,414
Effects of foreign exchange differences on cash and cash equivalents	(28,137)	169,848
Cash and cash equivalents, end of period	**4,682,414**	**15,539,823**

6.6.5 Material changes to the financial position of Windlab since 31 December 2019

To the knowledge of the Windlab Directors, and other than as disclosed in this Scheme Booklet or announced to ASX, the financial position of Windlab has not materially changed since 31 December 2019.

Windlab has, however, entered into a loan facility with entities associated with the Bidder Consortium Members as announced on 31 March 2020. That facility provides Windlab with access to funds to help manage liquidity through possible project delays including Kennedy Energy Park. The facility has a limit of $20 million and a term of three years and is secured by second ranking security across the Windlab Group. The availability of the funding under the facility is not conditional on Scheme Shareholders approving the Scheme. The commercial terms of the facility were considered by the Windlab Board to be reasonable and on arm's length commercial terms.

The key terms of the subordinated loan facility are set out below:

Limit	A$20,000,000
Interest	15% pa until Windlab Shareholders grant approval, 8% pa thereafter, payable to the extent allowed by cashflow, otherwise capitalised.
Term	3 years
Security	Second ranking security across the Windlab Group
Repayment	Quarterly from excess cashflow, following repayment of senior principal and interest, and after allowing 12 months' working capital. Mandatory repayment in full on change of control other than to the lenders.
Purpose	General corporate purposes of the company or allocation to an operating entity with lender consent.

An initial drawdown of A$7.6 million was made by Windlab under the loan facility on or about 23 April 2020.

6.7 Windlab's Directors' intentions

The Corporations Regulations require a statement by the Windlab Directors of their intentions regarding Windlab's business. If the Scheme is implemented and the Scheme Consideration is paid to Scheme Shareholders, Windlab will procure that any Windlab Director required by the Bidder Group to resign from the Windlab Board will resign and the Bidder will have 100% ownership and control of Windlab.

It is for the reconstituted Windlab Board to determine its intentions regarding:

- the continuation of the business of Windlab;
- any major changes to be made to the business of Windlab; and
- the future employment of the present employees of Windlab.

The current intentions of the Bidder with respect to these matters are set out in Section 7.3.

If the Scheme is not implemented, the Windlab Directors intend to continue to operate Windlab in the ordinary course of business and for Windlab to remain listed on ASX.

6. Information about Windlab (continued)

6.8 Publicly available information

Windlab is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to certain reporting and disclosure obligations. This requires Windlab to give continuous disclosure by lodging disclosures with the ASX of any information Windlab has that a reasonable person would expect to have a material effect on the price or value of Windlab Shares (subject to some exceptions).

Pursuant to the Corporations Act, Windlab is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from the Windlab Directors and an audit or review report respectively.

Windlab Shareholders may obtain a copy of:

- Windlab's 2018 Annual Report (including the financial statements for the financial year ended 31 December 2018); and
- Windlab's 2019 Annual Report (including the financial statements for the financial year ended 31 December 2019),

free of charge, from the ASX website (www.asx.com.au), Windlab website (www.windlab.com) or by calling the Windlab Shareholder Information Line 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia).

Additional information disclosed to ASX is available from ASX's website at www.asx.com.au and copies of the documents lodged with ASIC in relation to Windlab may be obtained from, or inspected at, an ASIC office.

6.9 Risks relating to Windlab's business

The existing risks relating to Windlab's business and an investment in Windlab will continue to be relevant to Windlab Shareholders if the Scheme does not become Effective. A summary of the key risks relating to Windlab's business and an investment in Windlab is set out in Section 8 of this Scheme Booklet.

7. Information about the Bidder and the Bidder Consortium Members

7.1 Overview of the Bidder Consortium Members

(a) Squadron Energy

Squadron Energy is an Australian based company focused on exploration and development projects in the natural resources, renewable energy and infrastructure sectors. It is privately owned and part of the Andrew Forrest led Minderoo Group of companies.

Squadron Energy will invest into the Bidder Group through Squadron HoldCo. Squadron HoldCo is a wholly owned subsidiary of Squadron Energy.

Further information regarding Squadron Energy can be found at its website at www.squadronenergy.com.au.

(b) Federation

Federation is a private equity firm that manages or advises funds which it invests in growing businesses and assets that meet a social and economic need, such as renewable energy, health, education, real estate, healthcare and other sectors.

The Federation team are experienced investors in renewable energy. Federation's strategy is to build a portfolio of quality renewable assets to deliver superior risk-adjusted returns.

Federation manages the Federation Funds that will invest into the Bidder Group through Federation HoldCo. Federation HoldCo is a special purpose investment vehicle managed by Federation which has been formed for the purposes of holding the interests of the Federation Funds in the Bidder Group.

Further information regarding Federation can be found at its website at www.federationam.com.

7.2 Overview of the Bidder Group

(a) The Bidder

The Bidder is a special purpose company that was incorporated on 24 February 2020 for the purpose of acquiring under the Scheme and holding following implementation of the Scheme all of the Windlab Shares.

The Bidder is an Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation, entry into the deed poll, and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

The Bidder is wholly owned by the Bidder HoldCo.

(b) The Bidder HoldCo

The Bidder HoldCo is a special purpose company that was incorporated on 24 February 2020 for the purpose of indirectly holding all the shares in the Bidder and issuing securities in the Bidder HoldCo to the Bidder Consortium Members.

On 28 February 2020, the Bidder HoldCo indirectly acquired the Existing Windlab Interest through the acquisition of all of the issued units in the Federation Alternative Assets Renewable Energy Asset Trust 1A1 from the Federation Funds.

The Bidder HoldCo is an Australian proprietary company that has not commenced trading or conducted business and, except as described elsewhere in this Section 7, does not own or hold any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

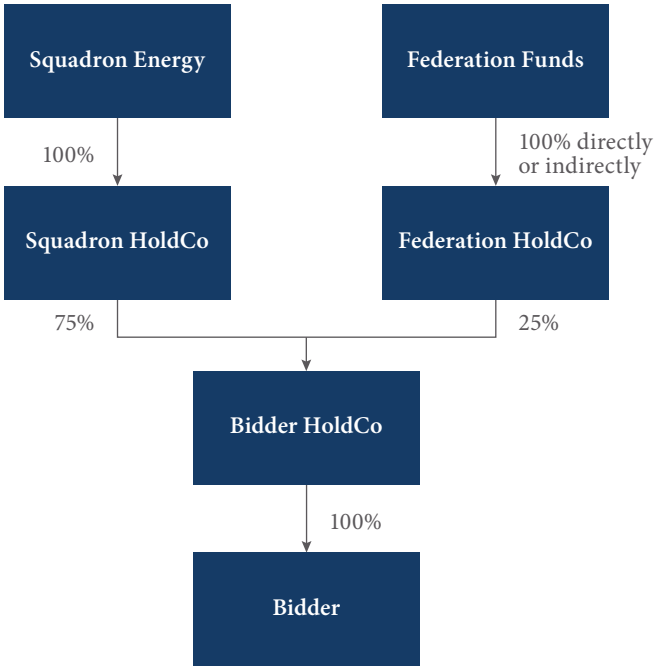
The affairs of the Bidder HoldCo are intended to be regulated after implementation of the Scheme under the Bidder HoldCo Shareholders' Agreement.

7. Information about the Bidder and the Bidder Consortium Members (continued)

(c) Ownership structure

As at the date of this Scheme Booklet, the Bidder is a wholly-owned subsidiary of the Bidder HoldCo and the Bidder HoldCo is a wholly owned subsidiary of Federation HoldCo.

On or prior to the Implementation Date, it is intended that the ownership of the Bidder HoldCo will change such that the Bidder HoldCo will be owned as shown in the diagram below:



On or prior to the Implementation Date, the Bidder will acquire 12,771,426 Windlab Shares which are as at the date of this Scheme Booklet held by Equity Trustees Limited as trustee for the Federation Alternative Assets Renewable Energy Asset Trust 1A1 (being a trust that is wholly owned by Bidder HoldCo). Accordingly, following implementation of the Scheme on the Implementation Date, the Bidder will hold 100% of the Windlab Shares.

(d) Directors

As at the date of this Scheme Booklet, the directors of the Bidder and the Bidder HoldCo are Mr Cameron Brownjohn and Mr Stephen Panizza.

It is expected that on or before the Implementation Date the boards of the Bidder and the Bidder HoldCo will be reconstituted so that they comprise Mr Stuart Johnston, Mr John Hartman, Mr Stephen Panizza and Mr Cameron Brownjohn.

Brief profiles of each of these directors are set out below.

(i) Mr Stuart Johnston

Stuart joined Squadron Energy as CEO in July 2017.

Between 2010 and 2017 he was CEO of Dampier Bunbury Pipeline (**DBP**), the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP), Western Australia's most important piece of energy infrastructure. During his time at DBP he was involved in the expansion of the main pipeline to Perth and the completion of several new pipeline and energy infrastructure projects. From 2015 to 2017 he was also a non-executive Director of Energy Developments Limited (**EDL**). EDL owns a diverse, global portfolio of power generation assets in two core business areas; Remote Energy and Clean Energy including investments in solar and wind projects in Australia and North America.

Prior to joining DBP he enjoyed a 20 year career with Royal Dutch Shell including his last role as Vice President Strategy Portfolio & Planning with Shell Upstream International. During this time he held Board positions on London Array Ltd. (offshore wind energy), and Avancis (a European Solar power JV). Between 2000 and 2004 he worked for Shell Development Australia in Business Development roles in Melbourne and Perth. In addition to his Australian experience Stuart has also worked in the Netherlands, the USA, and the UK during his career with Shell and has experience in pipeline operations, offshore construction and LNG project development.

He has a Bachelor of Engineering from the University of Nottingham and an MBA from London Business School.

(ii) Mr John Hartman

John is the Chief Investment Officer of Minderoo Group, one of Australia's largest private investment groups representing Andrew and Nicola Forrest's commercial interests. The portfolio includes a diverse range of assets including property, agri-food, natural resources and energy. John is a Director of Harvest Road Group, Squadron Energy and Squadron Resources. He is also a non-Executive Director for Sun Cable. John is also the Chief Investment Officer for the Minderoo Foundation.

John holds a Bachelor of Economics and Finance from the University of Sydney.

(iii) Mr Cameron Brownjohn

Cameron is the Founder and Chief Executive Officer of Federation.

Cameron has over 20 years' experience in the finance industry and over a decade of experience investing in, managing and exiting both equity and debt/mezzanine investments across private equity, renewable energy and real estate sectors. Previously, Cameron was the Head of Principal Investments for Macquarie Capital in Australia and New Zealand.

Prior to investing, he spent nine years as an investment banker with Merill Lynch working on M&A and capital raising transactions across Asia, Europe, North America and Australia.

Cameron also serves as the Chairman of Special Olympics Australia and holds degrees in Law and Commerce with First Class Honours.

(iv) Mr Stephen Panizza

Stephen is a founding partner of Federation and the Head of the Renewable Energy.

Stephen has over 30 years' experience in the finance industry in Australia, Asia and the Middle East. Previously, Stephen held the position of Chief Investment Risk officer at the Clean Energy Finance Corporation of Australia. Prior to this, he was the Head of Macquarie Capital's Principal Investment division in Asia. Whilst Stephen's recent history has been dedicated to clean energy, his prior experience across infrastructure, resources, industrials, services and other sectors particularly in debt financing is also relevant to investee companies.

Stephen holds a Bachelor of Economics Degree and Master of Business Administration from the University of Western Australia.

7.3 Post-acquisition intentions of the Bidder

(a) Introduction

If the Scheme is implemented, the Bidder will become the holder of all Windlab Shares and, accordingly, Windlab will become a wholly owned subsidiary of the Bidder.

This Section 7 sets out the present intentions of the Bidder in relation to the continuation of Windlab's business, any major changes to Windlab's business, the future employment of the present employees of Windlab and any redeployment of the fixed assets of Windlab, in each case if the Scheme is implemented.

7. Information about the Bidder and the Bidder Consortium Members (continued)

The statements made in this Section 7 are statements of present intention only and are based on the information concerning Windlab (including certain non-public information made available by Windlab to the Bidder prior to the entry into the Scheme Implementation Agreement) and the general business environment which is known to the Bidder at the time of preparation of this Scheme Booklet. Final decisions will only be made by the Bidder after having conducted a detailed review of Windlab's business after implementation of the Scheme. Accordingly, the statements set out in this Section 7 may change as new information becomes available or as circumstances change.

The intentions of Bidder HoldCo are the same as the intentions of the Bidder.

(b) General business review

If the Scheme is implemented, the Bidder intends to operate the business and actively manage the asset portfolio of the Windlab Group with the specific objective of maximising the value of Windlab for its shareholders.

In order to best achieve this objective, the Bidder intends to work with the management of Windlab to undertake a detailed strategic and operational review of the Windlab Group's Australian and international asset portfolio in each market in which it operates.

The Bidder will consider as part of this review re-allocating capital to the extent that this would provide for a more efficient use of that capital. Its strategy will be to grow value by focusing investment in the most prospective projects of the Windlab Group. The Bidder will consider, subject to the outcome of that review, divesting of, or selling down its interest in, non-core assets, to the extent that this would allow for a return of capital that may be more efficiently allocated to other uses.

(c) Windlab to be delisted

If the Scheme is implemented, the Bidder will procure that an application is made to ASX for Windlab to be removed from ASX's official list, with effect from on or shortly after the Implementation Date.

(d) Windlab Directors

If the Scheme is implemented, the Windlab Board will be reconstituted. As at the date of this Scheme Booklet the identity of the reconstituted board has not been determined.

(e) Head office

If the Scheme is implemented, it is the intention of the Bidder that Windlab's head office remains in Canberra, ACT.

(f) Business continuity/major changes

Subject to the outcome of the review referred to in section 7.3(b), if the Scheme is implemented, it is the current intention of the Bidder to continue to run the existing Windlab operations substantially in its current form. As noted in section 7.3(b), the Bidder may seek to divest of, or sell down Windlab's interest in, certain assets of the Windlab Group to the extent that this would allow for a return of capital that may be more efficiently allocated to other uses.

The Bidder intends to continue to operate Windlab's business under the name Windlab.

(g) Employees

The Bidder considers that the retention and incentivisation of employees is an essential component of the future success of the business.

Following implementation of the Scheme, the Bidder will review Windlab's business operations and employee structure to ensure Windlab has an appropriate mix and level of employees and skills to efficiently operate the business.

Subject to the outcome of that review, the Bidder intends to establish a cash based phantom equity management incentive plan in respect of up to 5% of the equity interests in Windlab. As at the date of this Scheme Booklet, the terms and extent of participation in the plan have not been determined.

(h) Fixed assets

Other than as set out above, the Bidder does not intend to redeploy any fixed asset for an alternative purpose to its current use.

7.4 Investment Deed

The Bidder Consortium Members and the Bidder HoldCo entered into the Investment Deed on 4 March 2020. The Investment Deed sets out the terms on which certain matters relating to the conduct of the Scheme and the equity commitment of each Bidder Consortium Member are regulated as between the Bidder Consortium Members.

A copy of the Investment Deed was released to ASX on 4 March 2020 and 5 March 2020 as an attachment to substantial holder notices filed by the Bidder Consortium Members.

In summary, under the Investment Deed:

- (**implementation of Scheme**) the parties agree as between themselves their respective obligations to ensure compliance with the Bidder Group's obligations under the Scheme Implementation Agreement and Deed Poll and otherwise implement the Scheme;
- (**steering committee**) the Bidder Consortium Members agree to establish a steering committee comprising the nominated representatives of each Bidder Consortium Member to make decisions in respect of the Scheme, including under the Scheme, Investment Deed and the Scheme Implementation Agreement;
- (**transfer of Existing Windlab Interest**) Federation HoldCo warrants that Federation Alternative Assets Renewable Energy Trust 1A1 holds the Existing Windlab Interest and agrees to procure the transfer of the Existing Windlab Interest to the Bidder for consideration equal to the Scheme Consideration per Windlab Share;
- (**funding Scheme**) each Bidder Consortium Member agrees to subscribe for ordinary shares in Bidder HoldCo, for the purposes of Bidder HoldCo providing funding to the Bidder, in an amount equal to its agreed proportion of the Scheme Consideration, the Convertible Securities Consideration and transaction costs that are agreed to be borne by the Bidder (with an adjustment to reflect Federation HoldCo's contribution of the Existing Windlab Interest);
- (**agreed working capital**) each Bidder Consortium Member agrees to subscribe for ordinary shares in Bidder HoldCo, for the purposes of Bidder HoldCo providing funding to Windlab, in an amount equal to its agreed proportion of any additional working capital amount agreed to be required at the Implementation Date;
- (**exclusivity**) during the period from the date of the deed until the earlier of the implementation of the Scheme and termination of the deed, each Bidder Consortium Member agrees that it must not, and must ensure that its Related Parties do not directly or indirectly, do any of the following without the prior written consent of the other party:
  - enter into any agreement, arrangement or understanding in relation to a Competing Proposal;
  - propose, initiate or solicit any Competing Proposal;
  - participate in any discussions or negotiations with Windlab or a third party in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
  - provide any information to Windlab or a third party for the purposes of enabling any third party to make a Competing Proposal; or
  - communicate its willingness or intention to do any of the things listed in the last two sub-bullets above; and
- (**termination**) the deed automatically terminates on termination of the Scheme Implementation Agreement and may be terminated in the event of a material breach of the deed which has not remedied by the non-defaulting parties.

7. Information about the Bidder and the Bidder Consortium Members (continued)

7.5 Bidder HoldCo Shareholders' Agreement

The Bidder Consortium Members and Bidder HoldCo intend to enter into a Bidder HoldCo Shareholders' Agreement on or before the Implementation Date, which will regulate the management and conduct of the Bidder Group (including the Windlab Group), and the acquisition or disposal of direct or indirect interests in the Bidder Group, on and from the Implementation Date.

7.6 Bidder Consortium Finance Arrangements

As announced by Windlab on 4 March 2020 and 30 March 2020, Federation HoldCo and Squadron Energy have entered into an A$20 million subordinated debt facility agreement with Windlab. The availability of funding under the debt facility agreement is not conditional on Scheme Shareholders approving the Scheme.

7.7 Funding of the Scheme Consideration

(a) Overview

This Section 7.7 sets out how the Bidder intends to fund the Scheme Consideration. The Scheme is not subject to any financing condition precedent.

The Bidder is required to pay the Scheme Consideration in accordance with the terms of the Deed Poll. Furthermore, Bidder HoldCo has agreed under the Scheme Implementation Agreement to provide, or procure that the Bidder provides, to Windlab on the Implementation Date sufficient funds to pay to the Convertible Security Consideration payable under each Convertible Security Deed.

Based on the number of Windlab Shares and Windlab Convertible Securities on issue as at the date of this Scheme Booklet (excluding the Windlab Shares in which the Bidder already has a Relevant Interest), the maximum amount that is reasonably expected to be required to be paid by the Bidder to fund the aggregate of the Scheme Consideration and the Convertible Security Consideration is approximately $56,862,609[16]. The aggregate amount available under the equity commitments (as described below) equals or exceeds such maximum amount.

(b) Equity funding

Bidder HoldCo and the Bidder have entered into legally binding equity commitment letters with the Bidder Consortium Members, under which those Bidder Consortium Members agree to provide Bidder HoldCo (directly or indirectly) an aggregate amount of up to $56,862,609 if the Scheme becomes Effective (**Equity Funding**) for the sole purpose of that funding being used by Bidder HoldCo to directly or indirectly fund the Bidder for it to meet its obligations to pay the Scheme Consideration (and any costs associated with the Scheme).

The Bidder Consortium Members have agreed to provide the Equity Funding in the following proportions:

- Federation HoldCo – $4,637,085
- Squadron HoldCo – $52,225,524.

As indicated above in Section 7.1(a), Squadron HoldCo is wholly owned by Squadron Energy which is a significant enterprise controlled by the Andrew Forrest led Minderoo Group of companies and has access to cash funding that is significantly greater than its equity commitment to Bidder HoldCo.

Federation HoldCo is an entity managed by Federation and wholly owned by Federation Funds which have equity commitments given by investors in those Federation Funds in excess of Federation HoldCo's equity commitment to Bidder HoldCo.

16. This amount assumes that the number of Windlab Shares on issue as at the Record Date is 68,212,586 and all Windlab Convertible Securities are cancelled under the terms of the Convertible Security Deeds.

The Equity Funding is to be provided for the sole purposes of paying the Scheme Consideration payable by the Bidder to Scheme Shareholders under the Scheme and associated transaction costs.

The provision of the Equity Funding by the relevant Bidder Consortium Members is subject to certain limited conditions precedent which are customary for equity commitments of this kind and include (but are not limited to):

- the Scheme Implementation Agreement not having been terminated;
- all conditions precedent under the Scheme Implementation Agreement being satisfied or waived and the Scheme becoming Effective; and
- the other Bidder Consortium Members funding or otherwise fulfilling their respective equity commitments.

Furthermore, Squadron HoldCo and Federation HoldCo have binding obligations under the Investment Deed and associated equity commitments to provide funding to Bidder HoldCo for the purposes of Bidder HoldCo providing that funding to the Bidder to fund its obligations to pay the Scheme Consideration and the Convertible Securities Consideration including in respect of any Windlab Convertible Securities which are in the money as compared with the Scheme Consideration and are exercised (other than by way of cashless exercise) and Windlab Shares are issued in respect of those Windlab Convertible Securities prior to the Record Date rather than being cancelled under Convertible Security Deeds.

See Section 7.4 for further detail regarding the Investment Deed.

(c) Conclusion

On the basis of the arrangements described above, the Bidder believes that it has reasonable grounds for holding the view, and holds the view, that the Bidder will be able to satisfy its obligation to pay the Scheme Consideration as and when it is due under the terms of the Scheme.

7.8 Interests and dealings in Windlab securities and other relevant information

(a) Interests in Windlab securities

As at the date of this Scheme Booklet:

- the Bidder has a Relevant Interest in 12,771,426 Windlab Shares held by Equity Trustees Limited as trustee for the Federation Alternative Assets Renewable Energy Asset Trust 1A1 (**Existing Windlab Interest**). The Existing Windlab Interest includes 12,574,544 Windlab Shares acquired by Federation Alternative Assets Renewable Energy Asset Trust 1A1 from Innovation Capital Fund II, LP on the terms and conditions of a sale deed dated 23 September 2019 and disclosed to ASX on 24 September 2019 as an attachment to a substantial holder notice. All of the units in the Federation Alternative Assets Renewable Energy Asset Trust 1A1 are held by Bidder HoldCo.
- this Relevant Interest in the Existing Windlab Interest results in the Bidder having voting power in Windlab of 18.72%.
- the Bidder does not have a Relevant Interest in any other Windlab securities including any Windlab Convertible Securities.

As described in Section 7.4, the Bidder will acquire the Existing Windlab Interest on or prior to Implementation of the Scheme.

7. Information about the Bidder and the Bidder Consortium Members (continued)

(b) No dealings in Windlab Shares in the previous four months

During the period of four months ending on the date of this Scheme Booklet, neither the Bidder nor any of its Associates has provided, or agreed to provide, consideration for any Windlab Shares under any purchase or agreement.

(c) Benefits to holders of Windlab Shares

Other than as set out above, neither the Bidder nor any of its Associates has given, or agreed to give, a benefit to another person that might induce that person or an Associate of that person to:

- vote in favour of the Scheme; or
- dispose of their Windlab Shares,

during the period of four months ending on the date of this Scheme Booklet and which was not offered to all other Windlab Shareholders.

(d) Benefits to Windlab Directors

None of the Bidder or its Associates will be making any payment or giving any benefit to any current officers of Windlab as compensation for, or otherwise in connection with, their resignation from their respective offices in the Scheme is implemented.

8. Risks

8.1 Introduction

In considering the Scheme, you should be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Windlab and the value of Windlab Shares.

This Section 8 outlines:

- general investment risks (refer to Section 8.2);
- specific risks associated with your current investment in Windlab Shares (refer to Section 8.3).

This risk factors described in this Section 8 are not an exhaustive list and should be read in conjunction with the other information contained in this Scheme Booklet. There may be additional risks and uncertainties not currently known to Windlab which may also have a material adverse effect on Windlab's financial and operational performance and the value of Windlab Shares.

If the Scheme is implemented, you will receive the Scheme Consideration, cease to hold your Windlab Shares and no longer be exposed to the risks set out below (and other risks to which Windlab may be exposed) in respect of your Windlab Shares. If the Scheme does not proceed, you will continue to hold your Windlab Shares, not receive the Scheme Consideration and continue to be exposed to risks and opportunities associated with that investment.

In deciding whether to vote in favour of the Scheme Resolution, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This Section 8 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the Windlab Directors unanimously recommend a vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of the Scheme Shareholders, Scheme Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme Resolution.

8.2 General investment risks

Windlab is exposed to a number of general risks that could materially adversely affect its assets and liabilities, financial position, profits, prospects and potential to make further distributions to you, as well as the price of Windlab Shares. General risks that may impact on Windlab or the market price of Windlab Shares include:

- change in investor sentiment and overall performance of the Australian and international stock markets;
- variations in Windlab's operating results;
- the nature of competition from Windlab's market competitors;
- the operating and trading price performance of other comparable listed entities;
- the effect of the current global COVID-19 pandemic, including the effects on markets and the corresponding impact that this may have on Windlab's ability to raise third party debt and to bring its development projects to financial close and/or to diminish the returns that Windlab may otherwise generate from those projects;
- general economic conditions, including changes in business and industry cycles, inflation, interest rates, exchange rates, prices of commodities and raw materials, the cost of energy and other utility costs, employment levels, sentiment in credit markets and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules;

- loss of key personnel;
- interruptions at Windlab's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays;
- natural disasters and catastrophes, including pandemics; and
- changes to accounting standards which affect the financial performance and position reported by Windlab.

8.3 Specific risks associated with your current investment in Windlab Shares

There are a range of business-specific risks associated with your current investment in Windlab Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed.

General project development risks

Windlab anticipates that an average wind farm development phase will run from three to five years. Windlab's wind farm development projects may be exposed to extended delays caused by market conditions and other matters outside of Windlab's control. For any project there are inherent risks, including:

- failure to gain required development, environmental or other required regulatory approvals;
- failure to secure a cost effective grid connection with sufficient export capacity;
- failure to contract an off-take arrangement or power purchase agreement, with a suitable counterparty, that is competitive with the market and allows a project to be financed;
- failure to secure project debt and equity finance for the project;
- failure to negotiate other required contracts for implementation of a project on suitable commercial terms, including equipment supply and other procurement contracts;
- diversion of management attention from existing projects;
- unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the project; and
- decline in the value of, and unanticipated costs, problems or liabilities associated with, the project.

Any of these or other risks could cause Windlab not to realise the benefits anticipated to result from any project and could have a material adverse impact on its financial position.

Timing of development revenue

Since development based fees are generally paid only once a development reaches financial close, the timing of receipt and recognition of revenue depends on the timing of financial close and outcomes, which are outside Windlab's control and may be difficult to predict. Fluctuations in Windlab's results could lead to adverse movements in Windlab's share price or increased volatility in the share price generally. For example, there is currently some uncertainty about the timing of financial close of the Lakeland Wind Farm project.

Reliance on WindScape technology

Windlab relies on the WindScape technology to predict the most competitive projects and reduce uncertainty in energy assessments. In the event the technology becomes defective, unable to be maintained, or otherwise fails to model with the required level of accuracy, Windlab's use of the technology will be negatively affected.

The value of the WindScape technology largely depends on Windlab's ability to protect its intellectual property rights. Windlab's failure to protect its intellectual property rights could lead to time consuming and costly litigation and could have an adverse impact on its operations and financial position.

Wind resource risk

Where projects have commenced, significant changes in environmental conditions and weather fluctuations may negatively affect the continued success of Windlab's wind farms. Long term wind fluctuations may affect the amount of energy produced by a wind farm project and the revenue generated by it. A decrease in the expected energy generated from a project may negatively impact Windlab's future financial performance.

Non-recourse project financed Project SPV's

Windlab holds equity interests in projects which are operating or under construction. These interests are in the form of equity in a Project SPV. These Project SPVs are in part financed by non-recourse project debt funding. Failure of the project to operate as expected may result in the breaching of debt covenants ultimately resulting in Windlab's equity position in these Project SPVs being jeopardised, which in turn may impact Windlab's future financial performance.

Counterparty risks

Windlab and the Project SPVs in which it has an equity interest are party to a number of key commercial agreements with various counterparties. Windlab is exposed to credit risk if any such counterparties fail to meet their financial obligations or become insolvent.

Regulatory risks in Australia

Changes to legislation, regulations, taxes and governmental policy in relation to the electricity generation industry can impose additional capital and operational requirements on Windlab. Changes to licencing requirements for owning, developing and managing electricity generation projects may have financial and operations effects on Windlab.

Further, changes to or repeal of policies governing emissions trading and renewable energy incentives may have a significant impact on Windlab's outlook or create uncertainty, which in turn may adversely affect Windlab's share prices.

Regulatory risks in South Africa

Windlab's South African operations are exposed to changes in the regulatory and tendering landscape. There is currently significant uncertainty as to the timing of the release of the fifth REIPPPP bidding round. As such, Windlab is exposed to the risk of significant delays to the commencement of Round 5 of the REIPPPP, which in turn may adversely impact the timing for financial close of Windlab's South African projects. In addition, Windlab is exposed to the risk that its bid will be ultimately unsuccessful, which may have an adverse impact on the ability for any of its South African projects to reach financial close.

Political and financing risks relating to projects in Sub-Saharan Africa (SSA)

Windlab has a number of early stage projects in SSA. Windlab's operations in SSA are subject to political uncertainty and sovereign risk, which may adversely impact Windlab's business, as well as the industry in which Windlab operates.

Financial viability of certain projects

Windlab holds an equity interest in many development projects as they move to commercial operation. These interests entitle Windlab to a share of distributions which are paid out of the cash flow available to the project after service of the debt at the project level. There is a risk that distributions are not capable of being made as a result of low cash flow to the project after debt service, and that if a project underperforms for sustained periods project lenders may enforce their security over the project entity.

8. Risks (continued)

Ability to retain key personnel

The responsibility of overseeing the day-to-day operations and strategic management of Windlab depends substantially on its management team. Windlab's management team consists of individuals with long lengths of individual service. The management team has significant knowledge of the WindScape technology as well as more generally in relation to the identification, development and operation of wind farm assets. The loss of key members of the management team may adversely affect Windlab's ability to implement its strategies and may adversely affect its future financial performance.

Construction delays and increased costs

Construction of a project is estimated to take between 12 and 24 months depending on size. There is a risk that the construction process for each project will take longer than anticipated. There is also a risk that the actual costs for the construction of each project will be greater than the estimated costs. These events may adversely affect a project's financial performance and as a result Windlab's financial position.

Electricity market related risks

Windlab is exposed to fluctuations in electricity prices, which are influenced by supply and demand dynamics. Where there are decreases in the prices of electricity, this may adversely affect Windlab's financial position.

From time to time, as a result of down time of the electricity grid or other requirements for grid connection, there may be issues with a project's ability to export power to the electricity grid. Lower levels of electricity exported may result in lower project revenues and/or breach of contracts.

Risk of dilution

Windlab may elect to issue shares or engage in capital raisings to fund ongoing working capital requirements or to make investments in projects in which it is involved. While Windlab will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Windlab Shareholders shareholdings may at the time be diluted as a result of such share issues or capital raisings.

Finance risks

If Windlab fails to effectively manage its working capital and consequential debt position from its development activities, it could be exposed to the risk of reduced access to funding and inability to execute on strategy. Further, if future refinancing required from time to time is not available on terms favourable to Windlab, this may adversely impact Windlab.

For example, uncertainties in relation to the Lakeland Project and Kennedy Energy Park may impact the ongoing liquidity position of Windlab.

Inability to pay dividends of make distributions

The ability of Windlab to make payment of future dividends or other distributions will be contingent on its ability to generate profits. Further, to the extent Windlab does pay any dividends, the ability to offer fully franked dividends is contingent on making taxable profits. Taxable profits may be volatile, making the payment of fully franked dividends unpredictable.

Workplace health and safety

A workplace health and safety incident occurring in the course of Windlab's business could give rise to reputational, regulatory and/or future earnings risk.

Disputes and litigation

In the ordinary course of its business, Windlab is subject to the risk of litigation and other disputes with its employees, regulators, partners, competitors and other third parties. Proceedings may result in high legal costs, adverse monetary judgements and/or damage to Windlab's reputation which may have an adverse effect on the financial performance of Windlab.

For example, an adjudication determination has been received by Windlab in respect of Kennedy Energy Park and a material dispute in respect of that project remains unresolved as described further in Section 6.2.2.2 of this Scheme Booklet.

Insurance

Windlab maintains insurance coverage in respect of its businesses, properties and assets. Some risks are not able to be insured at acceptable prices or at all. Insurance coverage may not be enough in such circumstances and if there is an event or claim causing loss, not all losses may be recoverable.

Changes in laws, regulations and government policies

Windlab is subject to local laws and regulations in each of the jurisdictions in which it operates. Changes in such laws and regulations may have an adverse impact on Windlab's financial performance and position. Failure to comply with legal and regulatory requirements relating to Windlab's business activities may also result in reputational damage, fines or other adverse financial consequences which may adversely affect the future earnings, asset values and value of Windlab Shares.

9. Tax implications

9.1 Taxation implications

This Section provides a general description of the Australian taxation consequences for a Windlab Shareholder disposing of their Windlab Shares under the Scheme. This section is only be applicable to Windlab Shareholders, other than Excluded Shareholders, who hold Windlab Shares as at the Scheme Record Date. This general commentary is relevant only to those Windlab Shareholders who hold their Windlab Shares on capital account. The general description of the Australian taxation consequences is based upon Australian taxation law and practice in force at the date of this Scheme Booklet. It is general in nature and is not intended to be a complete statement of the laws (which can be subject to change, including retrospectively) that would apply to the particular circumstances of a Windlab Shareholder.

This general description does not apply to all Windlab Shareholders, and is not intended to cover the position of Windlab Shareholders who:

- hold their Windlab Shares on revenue account or as trading stock;
- are subject to the Taxation of Financial Arrangements Rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and on their Windlab Shares;
- acquired their Windlab Shares through, or in connection with, an employee share scheme where those shares remain subject to deferred taxation as at the Implementation Date;
- are temporary residents of Australia for Australian taxation purposes; or
- hold their Windlab Shares in connection with a business carried on through a permanent establishment outside their country of tax residence.

The Windlab Board suggests that Windlab Shareholders should consider obtaining independent professional taxation advice in relation to their particular circumstances

9.2 Australian resident shareholders

(a) Capital Gains Tax (CGT)

The Scheme, if implemented, will result in the disposal of the Windlab Shares by the Windlab Shareholders. The change of ownership will constitute a CGT event for Australian tax purposes.

The Implementation Date will be the date of disposal of the Windlab Shares for CGT purposes. With a proposed Implementation Date of Friday, 26 June 2020, for the majority of taxpayers, any capital gain or loss will fall into the 30 June 2020 tax year.

(b) Calculation of Capital Gain or Loss

Windlab Shareholders may make a capital gain on the disposal of the Windlab Shares to the extent that the capital proceeds from the disposal of their shares exceeds the CGT cost base that they have in those shares. A capital loss may arise to a Windlab Shareholder if the capital proceeds are less than CGT reduced cost base of their Windlab Shares.

The capital proceeds of shares transferred under the Scheme will be the Scheme Consideration of $1.00 per Windlab Share.

CGT cost base will generally include the cost of acquisition of the Windlab Shares and any incidental costs of acquisition that were not otherwise deductible to the Windlab Shareholder. The CGT reduced cost base of the Windlab Shares is usually calculated in a similar, but not identical, manner.

(c) Other matters

Australian resident Windlab Shareholders who are individuals, complying superannuation entities and trusts may be entitled to reduce the amount of any capital gain made on the disposal of a Windlab Share if they have held that Windlab Share for at least 12 months prior to the Implementation Date . This reduction is referred to as the general CGT discount.

A capital loss on the disposal of a Windlab Share by a Windlab Shareholder may be used to offset any other capital gains made by the Windlab Shareholder in the current or future income tax years.

There are specific rules that apply to the trusts and companies in relation to the utilisation of losses against gains arising later in the same income tax year or future income tax years. Windlab Shareholders in this position are advised to receive their own advice in relation to their specific circumstances.

9.3 Non-Australian resident shareholders

Windlab Shareholders who:

- are not resident of Australia for Australian taxation purposes; and
- do not hold their Windlab Shares as assets in carrying on business through a permanent establishment in Australia,

should disregard any capital gain or loss that would otherwise arise on the disposal of their Windlab Shares.

Whilst Australian tax laws can apply in certain circumstances to tax a non-resident on capital gains arising on the disposal of a non-portfolio interest in an Australian company, this only applies where more than 50% of the market value of the assets of the Australian company are referrable to direct or indirect interests in Australian real property. The Windlab Directors are of the opinion that the limited interests of Windlab in Australian real property would not cause these provisions to have effect.

Non-resident shareholders who have previously been Australian resident, and elected to disregard a capital gain or loss on their Windlab Shares on cessation of their Australian residence, will have the Australian CGT consequences set out above for resident shareholders. Note that non-resident shareholders are not entitled to the benefit of the general CGT discount.

Non-resident shareholders are advised to consider the taxation implications in their territory of residence in relation to the disposal of their Windlab Shares.

9.4 Foreign resident capital gains withholding tax

The Foreign Resident Capital Gains Withholding regime (**FRCGW**) can impose an obligation on a purchaser of shares from a non-resident to withhold an amount equal to 12.5% of the purchase price and remit that amount to the Australian Taxation Office. This withholding requirement can apply when, amongst other matters, the shares acquired are an indirect Australian real property interest.

As minimal assets of Windlab consist of Australian real property, it is considered that the Windlab Shares do not constitute an indirect Australian real property interest, and it is not intended that any amounts will be withheld from the Scheme Consideration.

9. Tax implications (continued)

9.5 Australian Goods and Services Tax (GST) and stamp duty

No GST liability be payable by Windlab Shareholders on the disposal of a Windlab Share under the Scheme.

Windlab Shareholders may incur GST on their own costs in connection with the Scheme (such as advisor fees). Windlab Shareholders who are registered for GST may be entitled to a full or partial input tax credit for any GST payable on these costs. The outcome will depend upon the specific circumstances of each Windlab Shareholder, who should seek independent advice on their situation.

No stamp duty should be payable by Windlab Shareholders on the disposal of their Windlab Shares under the Scheme.

10. Implementation of the Scheme and other aspects of the transaction

10.1 Scheme Implementation Agreement

On 4 March 2020, Windlab and the Bidder HoldCo entered into the Scheme Implementation Agreement. The Scheme Implementation Agreement sets out the obligations of Windlab and the Bidder HoldCo in connection with the implementation of the Scheme. The Bidder is a wholly owned subsidiary of Bidder HoldCo which has been incorporated by Bidder HoldCo for the purposes of implementing the Scheme.

A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com.

10.2 Scheme and Deed Poll

The Bidder HoldCo and the Bidder have executed a Deed Poll under which they undertake in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme. A copy of the Deed Poll is are contained in Annexure A to this Scheme Booklet.

Under the Deed Poll, the Bidder HoldCo and the Bidder agree that the Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

Under the Scheme, if the Scheme becomes Effective:

- the Bidder must, by no later than the Business Day before the Implementation Date, deposit in cleared funds into the Scheme Trust Account an amount equal to the total amount of the Scheme Consideration payable to all Scheme Shareholders; and
- Windlab must, on the Implementation Date and subject to the Bidder having deposited the requisite funds, pay or arrange for the payment of the Scheme Consideration to each Scheme Shareholder from the Scheme Trust Account.

A copy of the Scheme is contained in Annexure B to this Scheme Booklet.

10.3 Key steps to implement the Scheme

Each key step to implement the Scheme and relevant information concerning these steps is set out below. All dates following the Scheme Meeting are indicative only and are subject to change. Windlab will announce any change to the dates set out in the Important Dates section to the ASX.

STEP 1: SCHEME MEETING

Scheme Shareholders to vote on the Scheme at the Scheme Meeting

In accordance with an order of the Court dated 29 April 2020, Windlab has convened the Scheme Meeting to be held at 10.30am (Sydney time) on Friday, 5 June 2020.

In light of the COVID-19 outbreak, Windlab Shareholders will not be able to attend the Scheme Meeting at a physical location. Windlab Shareholders who wish to participate can do so:

- online at https://web.lumiagm.com;
- using the Lumi AGM app; or
- by dial in tele-conference on (02) 8015 6011 (within Australia) or +61 2 8015 6011 (outside Australia) and use Meeting ID: 944 0224 4184 – dialing in to the Scheme Meeting by tele-conference will allow you to listen to the Scheme Meeting, but you will not be able to ask questions or cast votes on the tele-conference. You will need to vote separately as set out in Section 5.3 of this Scheme Booklet.

The Notice of Scheme Meeting is contained in Annexure C to this Scheme Booklet.

10. Implementation of the Scheme and other aspects of the transaction (continued)

At the Scheme Meeting, the Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) will vote on whether to approve the Scheme. For this to occur, the Scheme Resolution must be approved by:

- **(headcount test)** unless the Court orders otherwise, a majority in number (i.e. more than 50%) of the Scheme Shareholders present and voting at the Scheme Meeting (either in person or by proxy); and
- **(voting test)** at least 75% of the votes cast on the resolution.

The Court has the power under the Corporations Act to order that the headcount test be disregarded. ASIC has said in Regulatory Guide 60 that, if ASIC considers there is evidence that a scheme vote has been unfairly influenced by activities such as share splitting, ASIC would generally advise a court to utilise its powers under the Corporations Act to disregard the need for a majority vote.

Instructions on how to vote at the Scheme Meeting are set out in Section 5.3 of this Scheme Booklet, the Notice of Scheme Meeting in Annexure C to this Scheme Booklet and Windlab's website at www.windlab.com.

Steps 2 to 5 described below will only occur if the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting.

STEP 2: SECOND COURT HEARING

Windlab to apply to the Court for approval of the Scheme

In the event that:

- the Scheme is approved by the Requisite Majorities at the Scheme Meeting; and
- all of the other conditions to the Scheme (other than Court approval) have been satisfied or (where permitted) waived,

Windlab will apply to the Court for an order approving the Scheme (referred to in this Scheme Booklet as the **Scheme Order**).

Any Windlab Shareholder and, with the Court's permission, any other interested person has a right to appear at the Second Court Hearing.

STEP 3: EFFECTIVE DATE

Windlab to make the Scheme Effective

If the Court makes the Scheme Order, Windlab will lodge an office copy of the Scheme Order with ASIC. Once lodged, the Scheme will become Effective and binding on the Bidder, Windlab and each Scheme Shareholder (referred to in this Scheme Booklet as the **Effective Date**).

On the Effective Date, Windlab will notify the ASX that the Scheme has become Effective. Trading in Windlab Shares will be suspended from close of trading on the Effective Date.

Each Scheme Shareholder, without the need for any action, irrevocably appoints Windlab and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to the Scheme, including a proper instrument of transfer in respect of its Scheme Shares.

STEP 4: SCHEME RECORD DATE

Windlab to determine entitlements to Scheme Consideration

Those Scheme Shareholders on the Register on the Scheme Record Date, which is expected to be 7.00pm (Sydney time) on 19 June 2020 (the fifth Business Day after the Effective Date), will be entitled to receive the Scheme Consideration in respect of the Windlab Shares they hold on that date.

Dealings on or prior to the Scheme Record Date

For the purposes of determining who is a Scheme Shareholder (i.e. a Windlab Shareholder, other than any Excluded Shareholder, on the Register on the Scheme Record Date), dealings in Windlab Shares will only be recognised if:

- in the case of dealings of the type to be affected using CHESS, the transferee is registered in the Register as the holder of the relevant Windlab Shares on or before 7.00pm on the Scheme Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 7:00pm on the Scheme Record Date at the place where the Register is kept.

Windlab will not accept for registration or recognise for any purpose except a transfer to the Bidder under the Scheme and any subsequent transfer by the Bidder or its successors in title, any transfer or transmission application or other request received after 7:00pm on the Scheme Record Date or received prior to 7:00pm on the Scheme Record Date but not in registrable or actionable form (as appropriate).

Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Windlab will maintain the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

From the Scheme Record Date:

- all statements of holding for Windlab Shares will cease to have any effect as documents of title in respect of those Windlab Shares; and
- each entry on the Register will cease to have effect, other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

STEP 5: IMPLEMENTATION DATE

Scheme Shareholders receive the Scheme Consideration and Windlab Shares transferred to the Bidder

The Implementation Date is expected to be Friday, 26 June 2020 (the fifth Business Day after the Scheme Record Date).

Under the Scheme, the Bidder must, by no later than the Business Day before the Implementation Date, deposit in cleared funds into the Scheme Trust Account an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders.

On the Implementation Date:

- subject to the Bidder having deposited the requisite funds into the Scheme Trust Account, each Scheme Shareholder will be paid the Scheme Consideration for each Windlab Share; and
- once paid, the Scheme Shares will be transferred to the Bidder, without the need for Scheme Shareholders to take any action, and the Register will be updated so that the Bidder is listed as the holder of all of the Scheme Shares.

Details regarding the funding of the Scheme Consideration are set out in Section 7.7 of this Scheme Booklet.

10. Implementation of the Scheme and other aspects of the transaction (continued)

10.4 Deemed warranties by Scheme Shareholders

Under the Scheme, each Scheme Shareholder is deemed to have warranted to Windlab in its own right and for the benefit of the Bidder and Bidder HoldCo that as at the Implementation Date:

- all of its Windlab Shares which are transferred to the Bidder under the Scheme, including any rights and entitlements attaching to those Windlab Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- all of its Windlab Shares which are transferred to the Bidder under the Scheme will, on the date on which they are transferred to the Bidder be fully paid;
- it has full power and capacity to transfer its Windlab Shares to the Bidder together with any rights attaching to those Windlab Shares; and
- it has no existing right to be issued any Windlab Shares or any other Windlab securities other than, in the case of a Scheme Shareholder who is also the holder of Windlab Options, Windlab Warrants or Windlab Performance Rights, the right to receive Windlab Shares on the exercise of those, or otherwise in accordance with their terms.

10.5 Delisting from ASX

Windlab will apply for termination of the official quotation of Windlab Shares on the ASX, and for Windlab to be removed from the official list of the ASX after the Implementation Date.

10.6 Timetable

An indicative timetable for the Scheme appears on page 3. All dates and times following the date of the Scheme Meetings are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions. Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced on the ASX and notified on Windlab's website at www.windlab.com.au.

11. Additional information

This Section 11 sets out the statutory information required under section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations and the relevant ASIC regulatory guidance, but only to the extent that this information is not otherwise disclosed in other sections of this Scheme Booklet. This Section 11 also includes additional information that your Directors consider material to a decision on how to vote on the Scheme Resolution.

11.1 Interests of Windlab Directors in Windlab Securities

As at 29 April 2020, the number of Windlab Securities held by or on behalf of each Windlab Director are as follows:

Director	Windlab Shares	Windlab Convertible Securities		
		Windlab Options	Windlab Performance Rights	Windlab Warrants
Roger Price	532,765	1,000,000	88,350	932
Charles Macek	30,000	66,000	–	–
Pippa Downes	–	66,000	–	–
Joseph O'Brien	10,000	146,000	–	–

Windlab Directors who hold Windlab Shares as at 7.00pm on Wednesday, 3 June 2020 will be entitled to vote at the Scheme Meeting and to receive the Scheme Consideration along with the other Scheme Shareholders.

Each Windlab Director intends to vote, or cause to be voted, all Windlab Shares held or controlled by them, or on their behalf, in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Scheme Shareholders.

Windlab directors who hold Windlab Options, Windlab Performance Rights or Windlab Warrants have entered into Windlab Convertible Security Deeds, pursuant to which those Windlab Options, Windlab Performance Rights or Windlab Warrants will be cancelled upon the Scheme becoming Effective.

The consideration that each Windlab Director will receive under the applicable Windlab Convertible Security Deeds is consistent with that to be received by all other holders of Windlab Options, Windlab Performance Rights or Windlab Warrants and is as follows:

Director	Consideration to be received for Windlab Shares	Consideration to be received for cancellation of Windlab Convertible Securities		
		Windlab Options	Windlab Performance Rights	Windlab Warrants
Roger Price	$532,765	$233,420.00[17]	$88,350.00	$10.39[18]
Charles Macek	$30,000	$7,339.20[19]	–	–
Pippa Downes	–	$7,339.20[20]	–	–
Joseph O'Brien	$10,000	$47,339.20[21]	–	–

17. The consideration to be paid for cancellation of the Windlab Options held by Roger Price is broken down as follows:
    a. 200,000 Windlab Options, expiring on 30 June 2021 with an exercise price of $0.50 – consideration for cancellation is $100,000;
    b. 200,000 Windlab Options, expiring on 30 June 2022 with an exercise price of $0.75 – consideration for cancellation is $50,000;
    c. 350,000 Windlab Options, expiring on 1 December 2022 with an exercise price of $2.00 – consideration for cancellation is $38,920; and
    d. 250,000 Windlab Options, expiring on 12 April 2023 with an exercise price of $1.53 – consideration for cancellation is $44,500.
18. The consideration to be paid for cancellation of the Windlab Warrants held by or on behalf of Roger Price is broken down as follows:
    a. 216 Windlab Warrants, expiring on 30 June 2020 with an exercise price of $2.00 – $NIL; and
    b. 717 Windlab Warrants, expiring on 1 April 2021 with an exercise price of $2.00 – $10.39.
19. The consideration to be paid for cancellation of the Windlab Options held by Charles Macek is – 66,000 Windlab Options, expiring on 1 December 2022 with an exercise price of $2.00 – consideration for cancellation is $7,339.20.
20. The consideration to be paid for cancellation of the Windlab Options held by Pippa Downes is – 66,000 Windlab Options, expiring on 1 December 2022 with an exercise price of $2.00 – consideration for cancellation is $7,339.20.
21. The consideration to be paid for cancellation of the Windlab Options held by Joseph O'Brien is broken down as follows:
    a. 80,000 Windlab Options, expiring on 21 February 2022 with an exercise price of $2.00 – consideration for cancellation is $7,339.20; and
    b. 66,000 Windlab Options, expiring on 1 December 2022 with an exercise price of $2.00 – consideration for cancellation is $7,339.20.

The method of calculating the cash consideration to be paid to the Windlab Directors for cancellation of the Windlab Options held by them is the same as that for all holders of Windlab Options and is set out in Section 3.2(b) of this Scheme Booklet.

In relation to Roger Price, the Executive Chairman and Chief Executive Officer of Windlab, if the Scheme is implemented, Roger Price will become entitled to payment in consideration of the cancellation of unvested Windlab Performance Rights held by him. The effect of the arrangement is to treat the Windlab Performance Rights as if they had fully vested and the consideration payable for the cancellation of each Windlab Performance Rights is equal to the Scheme Consideration of $1.00 per Windlab Share. The Windlab Board (excluding Roger Price)[22] exercised its discretion to give effect to these arrangements. The Windlab Performance Rights held by Roger Price are being treated in exactly the same manner as the Windlab Performance Rights held by other Windlab employees. Nonetheless, Windlab Shareholders should have regard to these arrangements when considering Roger Price's recommendation on the Scheme which appears throughout this Scheme Booklet.

The method of calculating the cash consideration to be paid to Roger Price for cancellation of the Windlab Performance Rights held by him is the same as that for all holders of Windlab Performance Rights and is set out in Section 3.2(b) of this Scheme Booklet.

See Section 3.2 (b) of this Scheme Booklet for further details in relation to the treatment of Windlab Convertible Securities under the Scheme.

11.2 Windlab Directors' dealings in Windlab Securities

No Windlab Director acquired or disposed of a Relevant Interest in any Windlab security in the four-month period ending on the date of this Scheme Booklet.

11.3 Interests and dealings of Windlab Directors in securities in Bidder Group Members

As at the date of this Scheme Booklet, no securities in Bidder Group Members were held by or on behalf of any Windlab Director.

No Windlab Director acquired or disposed of a Relevant Interest in any securities in Bidder Group Members in the four-month period ending on the date of this Scheme Booklet.

11.4 Benefits and agreements

(a) Benefits in connection with retirement from office

No payment or other benefit is proposed to be made or given to any director, secretary or executive officer of Windlab or a Related Body Corporate of Windlab, as compensation for loss of, or as consideration for or in connection with his or her retirement from, office in Windlab or in a Related Body Corporate of Windlab.

(b) Other agreements or arrangements connected with or conditional on the Scheme

Each Windlab Director holds Windlab Convertible Securities as set out in Section 11.1 of this Scheme Booklet. Those Windlab Convertible Securities will be treated in the manner set out in Section 3.2 of this Scheme Booklet and each Windlab Director and will receive the consideration for the cancellation of those Windlab Convertible Securities as set out in Section 11.1 of this Scheme Booklet.

22. The exercise of discretion by the Windlab Board under the terms of the Windlab Performance Rights Plan was approved by the Independent Non-Executive Windlab Directors. Roger Price did not vote on the resolution given his interest in the subject matter of the resolution.

In addition Rob Fisher, who is the Chief Financial Officer and Chief Operating Office for Windlab and a company secretary of Windlab, will receive consideration of the cancellation of Windlab Convertible Securities held by him as set out below. Andrew Cooke, who is a company secretary of Windlab, does not hold any Windlab Shares or Windlab Convertible Securities.

Secretaries and Executive Officers	Consideration to be received for Windlab Shares	Consideration to be received for Windlab Convertible Securities		
		Windlab Options	Windlab Performance Rights	Windlab Warrants
Rob Fisher[23]	$337,563	$119,098.00	$65,504	
Andrew Cooke	–	–	–	–

The treatment of the Windlab Options and Windlab Performance Rights held by Rob Fisher is consistent with the treatment of Windlab Options and Performance Rights held by other Windlab employees.

Other than as set out above, there is no agreement or arrangement made between any Windlab Director, secretary or executive officer and another person in connection with or conditional on the outcome of the Scheme, other than in their capacity as a holder of Windlab securities.

(c) Interests of Windlab Directors in contracts with the Bidder

None of the Windlab Directors are interested in any contract entered into by the Bidder, other than in their capacity as a holder of Windlab securities.

(d) Benefits from the Bidder

None of the Windlab Directors have agreed to receive, or is entitled to receive, any benefit from the Bidder which is conditional on, or is related to, the Scheme, other than in their capacity as a holder of Windlab securities.

11.5 Suspension of trading of Windlab Shares

If the Scheme is approved by Scheme Shareholders and by the Court, and all other Conditions are satisfied or (where permitted) waived, Windlab will become a wholly-owned subsidiary of the Bidder. It is expected that suspension of trading on the ASX of Windlab Shares will occur from the close of trading on the Effective Date. An application will also be made to for Windlab to be removed from the official list of the ASX after the Implementation Date.

11.6 ASIC and ASX relief

(a) ASIC relief

No ASIC relief was required for the purposes of the Scheme or the issue of this Scheme Booklet.

(b) ASX waivers

Windlab has applied to the ASX for a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the cancellation of the Windlab Convertible Securities as set out in Section 3.2.

23. The consideration to be paid for cancellation of the Windlab Options held by Rob Fisher is broken down as follows:
    a. 40,000 Windlab Options, expiring on 30 June 2021 with an exercise price of $0.50 – consideration for cancellation is $20,000;
    b. 120,000 Windlab Options, expiring on 30 June 2022 with an exercise price of $0.75 – consideration for cancellation is $30,000;
    c. 280,000 Windlab Options, expiring on 1 December 2022 with an exercise price of $2.00 – consideration for cancellation is $31,136; and
    d. 180,000 Windlab Options, expiring on 12 April 2023 with an exercise price of $1.53 – consideration for cancellation is $37,962.

11.7 Transaction costs

The aggregate amount of fees and expenses to be incurred (or expected to be incurred) by Windlab in connection with the Scheme is estimated to be approximately $2,650,000 (exclusive of GST). Of this, approximately $940,000 will be incurred regardless of whether the Scheme becomes Effective. These amounts do not include any Break Fee that may be payable to Bidder HoldCo, or the transaction costs that may be incurred by the Bidder Group Members in relation to the Scheme.

11.8 Formal disclosures and consents

The following parties have given and have not, before the date of this Scheme Booklet, withdrawn their written consent:

- to be named in this Scheme Booklet in the form and context in which they are named; and
- if applicable, to the inclusion of each statement it has made (if any) in the form and context in which the statement appears in this Scheme Booklet.

Name	Role
Dentons Australia Limited	Legal adviser to Windlab
KPMG Corporate Finance a division of KPMG Financial Advisory Services (Australia) Pty Ltd	Independent Expert
Moelis Australia Advisory Pty Ltd	Financial adviser to Windlab
Computershare Investor Services Pty Limited	Share Registry

The Bidder and Bidder HoldCo have given and have not, before the date of this Scheme Booklet, withdrawn their written consent to the inclusion of the Bidder Information in the form and context in which it appears in this Scheme Booklet.

KPMG Corporate Finance has given, and not withdrawn before the date of this Scheme Booklet, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it appears in Annexure D to this Scheme Booklet and references to the Independent Expert's Report in the form and context in which they appear.

Each person named above:

- does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than Bidder HoldCo in respect of the Bidder Information and KPMG Corporate Finance in respect of the Independent Expert's Report;
- to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and any statement included in this Scheme Booklet with the consent of that person as specified in this Section 11.7; and
- has not authorised or caused the issue of this Scheme Booklet.

11.9 Material litigation

KEP, which is a project owned jointly by Windlab (50%) and Eurus Energy Holdings (50%), is subject to a dispute with the EPC contractor for the project as further described in Section 6.2.2.2 of this Scheme Booklet.

Other than this dispute, to the best knowledge of the Windlab Board and senior management, Windlab is not currently involved in any litigation or dispute which is material in the context of Windlab and its Subsidiaries taken as a whole.

11.10 No unacceptable circumstances

The Windlab Board believes that the Scheme does not involve any circumstances in relation to the affairs of Windlab that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

11.11 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Windlab disclaims all liabilities to such persons.

Windlab Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

11.12 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as your Windlab Directors are aware, there is no information material to the making of a decision by a Windlab Shareholder in relation to the Scheme, being information that is within the knowledge of any Windlab Director or director of any related bodies corporate of Windlab, as at the date of this Scheme Booklet, which has not been previously disclosed to Windlab Shareholders.

11.13 Supplementary information

Windlab will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- a material statement in this Scheme Booklet is or becomes false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Windlab may circulate and publish any supplementary document by:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Windlab Shareholders at their Registered Address as shown in the Register; or
- posting a statement on Windlab's website (www.windlab.com), as Windlab, in its absolute discretion, considers appropriate.

12. Glossary

12.1 Definitions

The following terms used in this Scheme Booklet (including the Notice of Scheme Meeting in Annexure C) have the meaning given to them below, unless the context requires otherwise.

Term	Meaning
ASIC	The Australian Securities and Investments Commission.
Associate	The meaning given to that term in the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Scheme Implementation Agreement and the reference to a designated body was a reference to Windlab.
ASX	ASX Limited ACN 008 624 691 or the financial market operated by it (i.e. the Australian Securities Exchange), as the context requires.
ASX Listing Rules	The official listing rules of ASX.
ATO	Australian Taxation Office.
Bidder	Wind Acquisition 2 Pty Ltd ACN 639 328 975, a wholly owned subsidiary of Bidder HoldCo.
Bidder Consortium	Federation HoldCo and Squadron HoldCo, and **Bidder Consortium Members** means either one of them.
Bidder Group	Bidder HoldCo and each of its Subsidiaries including the Bidder.
Bidder Group Member	Each body corporate in the Bidder Group.
Bidder Information	The information contained in Section 7 of this Scheme Booklet and any other information regarding Bidder HoldCo, the Bidder or the Bidder Group required to be included in this Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60 and includes and all statements of intention or belief of the Bidder in relation to Windlab following implementation of the Scheme.
Bidder HoldCo	Wind Acquisition 1 Pty Ltd ACN 639 325 554, a proprietary company which, on implementation of the Scheme, will be owned by Squadron HoldCo and Federation HoldCo in the following proportions: (a) Squadron HoldCo: 75%; and (b) Federation HoldCo: 25%.
Bidder HoldCo Shareholders' Agreement	The shareholders agreement proposed to be entered between Bidder HoldCo, Federation HoldCo and Squadron HoldCo as further described in Section 7.5 of this Scheme Booklet.
Break Fee	$700,000 (excluding GST) payable in the circumstances described in Section 4.4(e) of this Scheme Booklet.
Business Day	A business day as defined in the ASX Listing Rules.
CHESS	The clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.
CEFC Facilities	(a) Corporate debt facility dated 24 March 2016 between Windlab Limited, Windlab Asset Management Pty Ltd, Windlab Developments Pty Ltd, Kennedy Wind Farm Holdings Pty Ltd, Windlab Developments USA, Ltd, Lakeland Wind Farm Holdings Pty Ltd, Lakeland Wind Farm Pty Ltd and the Clean Energy Finance Corporation (as amended and restated on 14 December 2019 and as amended on 14 June 2019); and (b) corporate debt facility dated 16 October 2017 between Kennedy Energy Park Pty Ltd, Kennedy Energy Park Holdings Pty Ltd and the Clean Energy Finance Corporation.

Term	Meaning
Competing Proposal	A proposal, offer or transaction by a party (other than Bidder HoldCo or any Bidder Group Member) that, if entered into or completed substantially in accordance with its terms, would mean: (a) a person would acquire a Relevant Interest, or an economic interest under a cash settled equity swap or similar derivative, in more than 10% of the Windlab Shares, or acquire a right to obtain a Relevant Interest in more than that number of Windlab Shares; (b) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or substantially all of the business conducted by, or assets or property of, Windlab or any Windlab Group Member; (c) a person would directly or indirectly acquire Control of, or otherwise acquire, merge with, or be stapled with, Windlab or any Windlab Group Member; or (d) Bidder HoldCo or a Related Body Corporate of Bidder HoldCo could not implement a transaction whereby they acquire 100% of the issued capital of Windlab or any such transaction would be materially adversely affected, whether by way of takeover bid, scheme, capital reduction, issue of securities, sale of assets, sale of securities, stapling, strategic alliance, dual listed company structure, joint venture or partnership, or other transaction or arrangement. For the avoidance of doubt, each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.
Conditions	Each of the Conditions set out in clause 3.1 of the Scheme Implementation Agreement.
Constitution	The constitution of Windlab.
Control	The meaning given to that term in section 50AA of the Corporations Act.
Convertible Security Consideration	In respect of a given class of Windlab Convertible Security, the consideration specified in respect of that class of Windlab Convertible Security in a letter agreed in writing between Windlab and Bidder HoldCo.
Convertible Security Deed	Each deed to be entered into between a holder of Windlab Convertible Securities and Windlab in respect of the proposed cancellation or transfer of each Windlab Convertible Security held by them with effect from the Implementation Date.
Corporations Act	The *Corporations Act 2001* (Cth).
Corporations Regulations	The *Corporations Regulations 2001* (Cth).
Court	The Supreme Court of New South Wales or any another court having jurisdiction under the Corporations Act, as agreed between Bidder HoldCo and Windlab.
Deed Poll	The deed poll entered into by Bidder HoldCo and the Bidder in the form set out in Annexure A to this Scheme Booklet.
Director or **Windlab Director**	A director on the Windlab Board.
Effective	When used in relation to the Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme.
Effective Date	The date on which the Scheme becomes Effective.
Encumbrance	The meaning given to that term in the Scheme Implementation Agreement.

12. Glossary (continued)

Term	Meaning
End Date	4 September 2020 (being the date that is six months from the date of the Scheme Implementation Agreement) or such other date as agreed in writing between Bidder HoldCo and Windlab before that date.
Excluded Shareholder	Any Windlab Shareholder who is a Bidder Group Member or any Windlab Shareholder who holds a share on behalf of, or for the benefit of, any Bidder Group Member and includes each of Equity Trustees Limited ACN 004 031 298 as trustee for Federation Alternative Assets Renewable Energy Asset Trust 1A1 and the Bidder as described in Section 7.2(c) of this Scheme Booklet.
Equity Funding	The meaning given to that term in Section 7.7(b) of this Scheme Booklet.
Exclusivity Period	The period from and including the date of the Scheme Implementation Agreement to the earlier of: (a) the Implementation Date; (b) the termination of the Scheme Implementation Agreement; and (c) the End Date.
Existing Windlab Interest	The meaning given to that term in Section 7.8(a) of this Scheme Booklet.
Federation	Federation Asset Management Pty Ltd ACN 628 789 220.
Federation Funds	Federation Alternative Assets Renewable Energy Subtrust 1A and may include other related co-investment funds or vehicles managed or advised by Federation.
Federation HoldCo	Federation Wind Acquisition Pty Ltd ACN 639 351 170, an investment vehicle wholly owned by the Federation Funds and managed by Federation.
First Court Hearing	The hearing at which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting.
Implementation Date	The fifth Business Day after the Scheme Record Date or such other date as Windlab and Bidder HoldCo agree.
Independent Expert	KPMG Corporate Finance a division of KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	The report by the Independent Expert contained in Annexure D to this Scheme Booklet.

Term	Meaning
Insolvency Event	In relation to a person: (a) insolvency official: the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager, controller or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person; (b) arrangements: the entry by the person into a compromise, arrangement or composition with, or assignment for the benefit of, its creditors or a class of them generally; (c) deed of company arrangement: the entry by the person into a deed of company arrangement; (d) winding up: the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days; (e) suspends payment: the person suspends or threatens to suspend payment of its debts generally; (f) ceasing business: the person ceases or threatens to cease to carry on business; (g) insolvency: the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act; or (h) general: anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurring with respect to the person.
Investment Deed	The investment deed between Bidder HoldCo, Federation HoldCo and Squadron HoldCo dated 4 March 2020 as further described in Section 7.4 of this Scheme Booklet.
KEP Contractor	Quanta Power Australia Pty Ltd ACN 617 859 739 and Vestas Australian Wind Technology Pty Ltd ACN 089 653 878.
KEP Dispute	The dispute between Kennedy Energy Park Pty Ltd ACN 605 095 298 and the KEP Contractor in connection with the KEP EPC Contract and the technical performance and generator registration issues giving rise to that dispute.
KEP Entities	Kennedy Energy Park Holdings Pty Ltd ACN 621 980 863 and each of its Subsidiaries.
KEP EPC Contract	The engineering, procurement and construction contract entered into on about 16 October 2017 between Kennedy Energy Park Pty Ltd ACN 605 095 298 and the KEP Contractor, relating to the Kennedy Energy Park project.
LGC	Large scale generation certificate.

Term	Meaning
Material Adverse Change	A matter, event, occurrence, circumstance, change, condition or thing (or the disclosure or discovery of any event, matter or occurrence) that has had, or could reasonably be expected to have (whether individually or in aggregate with other such matters, events, occurrences, circumstances, changes, conditions or things) the effect of: (a) diminishing the value of the consolidated net assets of the Windlab Group taken as a whole and calculated in accordance with the accounting policies and practices applied by Windlab in its unaudited preliminary financial report (released on 28 February 2020) for the financial year ended 31 December 2019 by more than an amount equal to $9,100,000; or (b) the Windlab Group being unable to carry on its business in substantially the same manner as carried on in the 12 months prior to the date of the Scheme Implementation Agreement, other than matters, events or occurrences to the extent: (c) required or expressly permitted by the Scheme Implementation Agreement; (d) attributable to costs incurred by Windlab in relation to the Scheme Implementation Agreement or the Scheme, provided that in the case of any external costs, those costs do not exceed an estimate of those costs which has been fairly disclosed to Bidder HoldCo and in the event those costs do exceed the estimate, only the amount in excess of the estimate will be considered; (e) fairly disclosed to Bidder HoldCo before the date of the Scheme Implementation Agreement; (f) they comprise matters arising from the KEP Dispute; (g) fairly disclosed in public announcements issued by Windlab to the ASX before the date of the Scheme Implementation Agreement; (h) undertaken or occurring with the prior written consent of Bidder HoldCo; (i) resulting from war, terrorism, civil unrest, act of god, lightning, storm flood, bushfire, earthquake, explosion, cyclone, tidal wave, landslide, on or after the date of the Scheme Implementation Agreement; (j) which do not relate specifically to the Windlab Group and which arise from: (A) changes in exchange rates or interest rates; (B) changes in general economic or business conditions, including those that relate to the industries in which the Windlab Group operates; or (C) changes to accounting standards or laws in Australia or any other jurisdiction in which the Windlab Group operates, but in each case excluding any such changes which have an adverse effect on the Windlab Group, taken as a whole, that is materially disproportionate as compared to the adverse effect of the relevant change on other participants in the industries in which the Windlab Group operates.
Notice of Scheme Meeting	The notice in relation to the Scheme Meeting contained in Annexure C to this Scheme Booklet.
Permitted Encumbrance	The meaning given to that term in the Scheme Implementation Agreement.

Term	Meaning
PPA	Power purchase agreement.
Register	The share register of Windlab.
Registered Address	In relation to a Windlab Shareholder, the address of the shareholder shown in the Register as at the Scheme Record Date.
Related Parties	The meaning given to that term in the Scheme Implementation Agreement.
Relevant Interest	The meaning given in the Corporations Act.
Requisite Majorities	(a) unless the Court orders otherwise, a majority in number (i.e. more than 50%) of the Scheme Shareholders (being all Windlab Shareholders other than any Excluded Shareholders) present and voting (either in person or by proxy); and (b) at least 75% of the votes cast on the resolution.
Scheme	The scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which all Scheme Shares will be transferred to the Bidder, in the form set out in Annexure B to this Scheme Booklet together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
Scheme Booklet	This document, including any annexure to it.
Scheme Consideration	$1.00 cash for each Windlab Share, less the amount of any dividend, return of capital or other distribution declared or paid by Windlab on or before the Implementation Date. The Windlab Directors have no intention of declaring or paying any such dividend, return of capital or other distribution on or before the Implementation date, and accordingly all references in this Scheme Booklet to the Scheme Consideration should be read as referring to $1.00 cash for each Windlab Share.
Scheme Implementation Agreement	The Scheme Implementation Agreement between Windlab and Bidder HoldCo dated 4 March 2020. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Windlab's website at www.windlab.com.
Scheme Meeting	The meeting of Scheme Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Meeting Record Date	The time and date for determining eligibility to vote at the Scheme Meeting, being 7.00pm (Sydney time) on Wednesday, 3 June 2020.
Scheme Order	The order of the Court under section 411(4)(b) of the Corporations Act approving the Scheme, with or without modifications.
Scheme Record Date	The record date for determining entitlements to the Scheme Consideration, expected to be 7.00pm (Sydney time) on Friday, 19 June 2020 (being the fifth Business Day after the Effective Date), or such other date as Windlab and the Bidder agree.
Scheme Resolution	The resolution to approve the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.
Scheme Share	A Windlab Share held by a Scheme Shareholder.
Scheme Shareholder	Each person who is a Windlab Shareholder (other than any Excluded Shareholder) as at the Scheme Record Date.
Scheme Trust Account	A bank account operated by Windlab (as trustee for each Scheme Shareholder) established to hold the Scheme Consideration.

12. Glossary (continued)

Term	Meaning
Second Court Date	The first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.
Second Court Hearing	The hearing of the application made to the Court for the order under section 411(4)(b) of the Corporations Act approving the Scheme.
Squadron Energy	Squadron Energy Pty Ltd ACN 615 221 559.
Squadron HoldCo	Squadron Wind Energy Developments Pty Ltd ACN 639 454 345.
Strategic Review	The strategic review initiated by the Windlab Board in August 2019, to consider a range of options to address the value gap that exists between the Windlab's then share price and what the board believed to be the underlying value of the business, as further described in Section 3.3 of this Scheme Booklet.
Subsidiary	The meaning given to that term in the Corporations Act.
Superior Proposal	The meaning given to that term in the Scheme Implementation Agreement. In summary, a Superior Proposal is a bona fide Competing Proposal of the kind referred to in paragraphs (b) or (c) of the definition of Competing Proposal and not resulting from a breach by Windlab of any of its exclusivity obligations under clause 13 of the Scheme Implementation Agreement which the Windlab Board, acting in good faith in the interests of Windlab and the Windlab Shareholders and after receiving written advice from their external legal adviser and financial advisers, determines is reasonably capable of being completed and would, if completed substantially in accordance with its terms, be more favourable to Windlab than the transactions contemplated in the Scheme or any counterproposal by Bidder HoldCo.
VWAP	Volume weighted average price.
Windlab	Windlab Limited ACN 104 461 958.
Windlab Board	The board of directors of Windlab.
Windlab Convertible Securities	(a) the Windlab Options; (b) the Windlab Performance Rights; and (c) the Windlab Warrants.
Windlab Director or **Director**	A director on the Windlab Board.
Windlab ESOPs	Windlab's current Employee Share Option Plan, approved by the Windlab Board on 22 June 2017 and Windlab's previous Employee Share Option Plan approved by the Windlab Board in or about November 2007.
Windlab Group	Windlab and its Subsidiaries.
Windlab Group Member	Each body corporate in the Windlab Group.
Windlab Information	All information contained in this Scheme Booklet other than the WA Information and the Independent Expert's Report.
Windlab Option	An option granted to an employee of the Windlab Group under the Windlab ESOPs.
Windlab Performance Right	A performance right granted to an employee of the Windlab Group under the Windlab Performance Rights Plan.

Term	Meaning
Windlab Performance Rights Plan	Windlab's current Performance Rights Plan, approved by the Windlab Board on 22 June 2017.
Windlab Prescribed Event	Other than: (a) required to be done or procured by Windlab pursuant to, or which is otherwise expressly contemplated by, the Scheme Implementation Agreement or the Scheme; (b) to the extent it has been fairly disclosed by Windlab to Bidder HoldCo prior to the Scheme Implementation Agreement; or (c) the undertaking of which Bidder HoldCo has approved in writing (such approval not to be unreasonably withheld or delayed), the occurrence of any of the following: (a) any Windlab Group Member converting all or any of its shares or securities into a larger or smaller number of shares or securities; (b) any Windlab Group Member or KEP Entity resolving to reduce its share capital in any way or reclassifying, combining, splitting or repurchasing directly or indirectly any of its issued securities; (c) any Windlab Group Member or KEP Entity entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement under the Corporations Act, or taking equivalent action under the laws of its place of incorporation or registration; (d) any Windlab Group Member or KEP Entity issuing shares, or granting an option over its shares to a person other than, in the case of Windlab's Subsidiaries, Windlab or one of its wholly owned Subsidiaries, or agreeing to make such an issue or grant such an option to a person other than Windlab or one of its wholly owned Subsidiaries, other than: (i) in accordance with an existing contract fairly disclosed in writing to Bidder HoldCo before the date of the Scheme Implementation Agreement or to the extent required to give effect to an Alternative Financing; or (ii) any shares issued or options granted in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (e) any Windlab Group Member or KEP Entity issuing or agreeing to issue securities, other instruments convertible into shares or debt securities or rights for the issue of shares or debt securities to a person other than: (i) in the case of any of Windlab's Subsidiaries, to Windlab or one of its other wholly owned Subsidiaries, other than as permitted under paragraph (d) above; (ii) any debt securities issued in accordance with the Interim Financing or any securities issued in accordance with an Alternative Financing; or (iii) any such issues in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (f) any Windlab Group Member or KEP Entity making any change or amendment to its constitution or convenes a meeting to consider a resolution to change or amend its constitution;

Term	Meaning
Windlab Prescribed Event ***(continued)***	(g) any Windlab Group Member or KEP Entity: (i) acquiring, taking a lease over, disposing of or leasing to another party; (ii) agreeing to acquire, take a lease over, dispose of or lease to another party; or (iii) offering, proposing or announcing an intention to do any of the above in relation to, any securities, businesses, assets, interests in a joint venture, entity or undertaking, whether in one transaction or a number of such transactions, where the amount or value involved in such transaction or transactions of the same or substantially the same kind or which are related exceeds $5 million in aggregate or which otherwise constitutes the whole or a substantial part of Windlab Group's business, but for the avoidance of doubt excluding: (iv) any disposal of securities by a Windlab Group Member in circumstances where the disposal is pursuant to a contractual obligation specifically identified in the disclosure letter provided by Windlab to Bidder HoldCo before the date of the Scheme Implementation Agreement; or (v) any disposal to the extent required to give effect to an Alternative Financing; (h) any Windlab Group Member or KEP Entity ceasing, or threatening to cease, carrying on the business conducted by the Windlab Group Member or KEP Entity in the manner in the 12 months prior to the date of the Scheme Implementation Agreement; (i) any Windlab Group Member or KEP Entity entering into any new lines of business or undertaking any other material activities which it is not engaged as of the date of the Scheme Implementation Agreement; (j) any Windlab Group Member or KEP Entity creates, or agrees to create, an Encumbrance (other than a Permitted Encumbrance) over, or declares itself the trustee of, any part of its business, property or other assets, with the exception of: (i) any Encumbrance to the extent required to be provided in accordance with the Interim Financing or any Alternative Financing; and (ii) any Encumbrance provided in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (k) any Windlab Group Member or KEP Entity directly or indirectly enters into or provides any guarantee, indemnity or security on behalf of, or in respect of the obligations of, any other person, with the exception of: (i) any guarantee or security to the extent required to be provided in accordance with the Interim Financing or any Alternative Financing; and (ii) any guarantee or security provided in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (l) other than with the consent of Bidder HoldCo, any Windlab Group Member or KEP Entity: (i) increasing the remuneration of, or otherwise varying, the employment arrangements with any of its directors or employees, other than, in the ordinary course of business and consistent with past practice, and the aggregate value of all such bonuses or increases does not exceed $1 million; (ii) accelerating the rights of any of its directors or employees to compensation or benefits of any kind (including under Windlab's ESOP); or (iii) paying any of its directors or employees a bonus, termination or retention payment (other than as permitted under paragraph (m)(i) above or otherwise than in accordance with an existing contract fairly disclosed to Bidder HoldCo before the date of the Scheme Implementation Agreement);

Term	Meaning
Windlab Prescribed Event ***(continued)***	(m) any Windlab Group Member or KEP Entity: (i) entering into, terminating or amending in a material manner; (ii) paying, discharging or satisfying any claims, liabilities or obligations under (other than where consistent with past practice and in accordance with its terms and not exceeding $1 million in aggregate); or (iii) waiving any material claims or rights under, or waiving the benefit of, or making any material election or exercising any material rights under, any provisions of, any agreement, arrangement or understanding which: (iv) is outside of the ordinary course of business; (v) requires or would be likely to result in expenditure or liabilities of, or requires or would be likely to result in payments to, any Windlab Group Member or KEP Entity of $5 million or more over the term of the contract; or (vi) is otherwise material to the business or operations of the Windlab Group as a whole; (n) an Insolvency Event occurring in respect of any Windlab Group Member or KEP Entity; (o) any Windlab Group Member or KEP Entity making, declaring or incurring a liability to pay any distribution whether by way of dividend or capital reduction or otherwise and whether in cash or in specie (other than to Windlab or a wholly owned Subsidiary of Windlab or a cash distribution in the case of a KEP Entity); (p) any Windlab Group Member or KEP Entity: (i) changing any significant accounting policy applied by them to report their financial position other than if required by law; (ii) increasing its level of financial indebtedness (including financial liabilities incurred under finance leases) by more than $1 million (in aggregate for the Windlab Group Members and KEP Entities) other than: (A) under and in accordance with the existing CEFC Facilities; (B) incurring trade payables in the ordinary course of business; (C) the incurring of any financial indebtedness in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (D) to the extent required in accordance with the Interim Financing or any Alternative Financing; or (iii) making any loans, advances or capital contributions to or investments in any person other than a wholly-owned Subsidiary of Windlab other than: (A) in accordance with the Interim Financing; or (B) provided in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans; (q) any Windlab Group Member or KEP Entity cancelling, materially amending or failing to renew on its expiry any existing insurance policy or authorisation on which the business of that entity depends;

Term	Meaning
Windlab Prescribed Event ***(continued)***	(r) any Windlab Group Member or KEP Entity making capital expenditure in excess of $5 million in aggregate for all Windlab Group Members and KEP Entities other than in connection with the progression of the Lakeland Project in the ordinary course and consistent with the Lakeland Business Plans or, in the case of the KEP Entities, the progression of the project known as Kennedy Energy Park in the ordinary course and consistent with any business plans, models or other materials fairly disclosed by Windlab to Bidder HoldCo in the due diligence materials; (s) any Windlab Group Member or KEP Entity entering into a sale and leaseback arrangement in respect of any of its material assets; (t) any Windlab Group Member or KEP Entity entering into any joint venture, partnership, asset or profit sharing arrangement, non-compete restraint or exclusivity restriction; (u) any Windlab Group Member or KEP Entity waiving or compromising in any material respect any material claim or right other than in the ordinary course of business and consistent with past practice; (v) any Windlab Group Member or KEP Entity: (i) makes, commences or serves any legal action, proceeding, dispute, claim, crossclaim, counterclaim, demand, notice, direction, inquiry, arbitration, mediation, dispute resolution or litigation; or (ii) settles, compromises, agrees to any resolution, or makes any admission, in relation to any legal proceedings, claim, investigation, arbitration or other like proceedings (including the KEP Dispute); (w) any Windlab Group Member or KEP Entity, or any of their respective officers or directors is or becomes a party to any material legal proceedings, claim, investigation, prosecution, litigation or arbitration other than as a plaintiff or applicant, in respect of any Windlab Group Member or KEP Entity or their respective business or assets that exposes the Windlab Group Members or KEP Entities to a potential liability exceeding $5 million in aggregate for all Windlab Group Members and KEP Entities (excluding legal costs) or having a material effect on the business of any Windlab Group Member or KEP Entity, not including litigation that is frivolous or vexatious, litigation initiated or instigated by any Bidder Indemnified Party or litigation where Windlab receives bona fide legal advice within seven days of Windlab being served with the relevant proceedings to the effect that the litigation has no reasonable prospect of success, and for the avoidance of doubt, a Windlab Prescribed Event will be taken not to occur during the seven day period referred to in this paragraph; or (x) any Windlab Group Member or KEP Entity authorising, procuring, committing or agreeing to do any of the matters set out in paragraphs (a) to (w) above.
Windlab Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Windlab Securities	Windlab Shares and Windlab Convertible Securities.
Windlab Share	A fully paid ordinary share in the capital of Windlab.
Windlab Shareholder	Each person registered in the Register as a holder of Windlab Shares.
Windlab Warrant	A warrant exercisable into a Windlab Share, each of which has an exercise price of $2.00 and expires on either 4 May 2020, 30 June 2020 or 1 April 2021.

12.2 Interpretation

In this Scheme Booklet, unless the context requires otherwise:

- headings are inserted for convenience and do not affect the interpretation of this Scheme Booklet;
- words and phrases in this Scheme Booklet have the same meaning given to them (if any) in the Corporations Act;
- the singular includes the plural and vice versa;
- a gender includes all genders;
- a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- if a word is defined, another part of speech has a corresponding meaning;
- a reference to a Section or Annexure is a reference to a Section or Annexure of this Scheme Booklet;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- unless expressly stated otherwise, a reference to time is a reference to time in Sydney, New South Wales; and
- unless expressly stated otherwise, a reference to dollars, $, A$ or AUD is a reference to the lawful currency of Australia.

Annexure A – Deed Poll

This Deed Poll is made on	24 April 2020
By	**Wind Acquisition 1 Pty Ltd** **ACN 639 325 554** of Suite 30.04 Chifley Tower, 2 Chifley Square, Sydney NSW 2000 (**Bidder**)
	Wind Acquisition 2 Pty Ltd **ACN 639 328 975** of Suite 30.04 Chifley Tower, 2 Chifley Square, Sydney NSW 2000 (**Bidder Subsidiary**)
IN FAVOUR OF	Each holder of ordinary shares in **Windlab Limited** **ACN 104 461 958** as at the Record Date (**Scheme Shareholders**)

Background

A. Windlab and the Bidder Subsidiary have entered into the Scheme Implementation Agreement.

B. Under the Scheme Implementation Agreement, the Bidder has agreed, subject to the satisfaction or waiver of certain conditions, to do all things within its power necessary or desirable on its part to implement the Scheme, including providing or procuring the provision of the Scheme Consideration and procuring that the Bidder Subsidiary enters into this deed poll.

C. The Bidder Subsidiary is entering into this document for the purpose of covenanting in favour of Scheme Shareholders to:

(a) comply with all of the obligations attributed to it under the Scheme Implementation Agreement;

(b) perform the obligations attributed to the Bidder Subsidiary under the Scheme; and

(c) provide the Scheme Consideration in accordance with the Scheme.

Operative provisions

1. Interpretation

1.1 Definitions

The following definitions apply in this document.

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 4 March 2020 between Windlab Limited and the Bidder.

Other capitalised words and phrases have the same meaning as given to them in the Scheme Implementation Agreement.

1.2 Interpretation

In this deed poll, headings and bolding are for convenience only and do not affect its interpretation and, unless the context requires otherwise:

(a) words importing the singular include the plural and vice versa;

(b) a reference to any document (including the Scheme Implementation Agreement and the Scheme) is to that document as varied, novated, ratified or replaced;

(c) a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to, this deed poll and a reference to this deed poll includes any annexure and schedule;

(d) a reference to a party to a document includes that party's successors and permitted assigns;

(e) no provision of this agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed poll or that provision;

(f) a reference to an agreement or consent by a person is to an agreement or consent in writing;

(g) the word **includes** in any form is not a word of limitation;

(h) a reference to **$** or **dollar** is to Australian currency; and

(i) a reference to any time is a reference to Australian Eastern Daylight Savings Time or, after 2.00 am on 5 April 2020, Australian Eastern Standard Time.

1.3 Nature of this Deed Poll

The Bidder and Bidder Subsidiary each acknowledge that this deed poll may be relied on and enforced by a Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it.

2. Conditions

2.1 Conditions precedent

The obligations of the Bidder and Bidder Subsidiary under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

If the Scheme Implementation Agreement is terminated in accordance with its terms or the Scheme has not become Effective on or before the End Date, the obligations of the Bidder and Bidder Subsidiary under this deed poll will automatically terminate, unless the Bidder and Bidder Subsidiary otherwise agree in writing.

2.3 Consequences of Termination

If this deed poll is terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) the Bidder and Bidder Subsidiary is released from its obligations to further perform this deed poll; and

(b) each Scheme Shareholder retains the rights they have against the Bidder and Bidder Subsidiary in respect of any breach of this deed poll which occurs before it is terminated.

3. Consideration

3.1 Performance of Obligations Generally

Subject to clause 2:

(a) the Bidder Subsidiary covenants in favour of the Scheme Shareholders to perform the actions attributed to it under the Scheme as if the Bidder Subsidiary was a party to the Scheme; and

(b) Bidder undertakes in favour of each Scheme Shareholder to:

  (i) procure that the Bidder Subsidiary complies with clause 3.1(a); and

  (ii) perform the actions attributed to the Bidder under the Scheme as if it were a party to the Scheme.

3.2 Scheme Consideration

Subject to clause 2 and clause 3.3:

(a) the Bidder Subsidiary undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme;

(b) the Bidder undertakes in favour of each Scheme Shareholder to procure that the Bidder Subsidiary complies with clause 3.2(a).

3.3 Trust Account

The obligation of the Bidder Subsidiary to provide the Scheme Consideration will be satisfied by the Bidder Subsidiary, on the Business Day before the Implementation Date, depositing in cleared funds the Scheme Consideration into an Australian dollar denominated trust account operated by Windlab as trustee for the benefit of Scheme Shareholders, those funds to be held on trust by Windlab for the purpose of sending the Scheme Consideration in accordance with the Scheme (except that the amount of any interest on the amount deposited, less bank fees and other charges, will be credited to the Bidder Subsidiary's account).

4. Bidder Subsidiary Representations and Warranties

The Bidder and Bidder Subsidiary each represent and warrant that:

(a) it is a validly existing corporation registered under the Corporations Act;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transaction contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and is enforceable in accordance with its terms;

(e) the execution and performance of this document and each transaction contemplated by it does not and will not result in a breach of:

  (i) any provision of its constitution; or

  (ii) any writ, order or injunction, judgement, law, rule or regulation to which it is subject or by which it is bound;

(f) it is not otherwise bound by any agreement that would prevent, restrain or restrict it from entering into or performing any of its obligations contained in this deed poll; and

(g) no Insolvency Event has occurred in relation to the Bidder Subsidiary nor has any regulatory action of any nature of which the Bidder Subsidiary is aware been taken or threatened to be taken that would prevent or restrict the Bidder Subsidiary's ability to fulfil its obligations under this deed poll.

5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the earlier of:

(a) the Bidder and Bidder Subsidiary having fully performed its obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.2.

6. Notices

6.1 Form

Any communications in connection with this deed poll must be:

(a) in writing; and

(b) addressed to the Bidder and Bidder Subsidiary at the address shown below:

Bidder Subsidiary	Address:	Suite 30.04 Chifley Tower, Level 30, 2 Chifley Square, Sydney, NSW 2000
	Attention:	Stephen Panizza
	Email:	stephen.panizza@federationam.com
Bidder	Address:	Suite 30.04 Chifley Tower, Level 30, 2 Chifley Square, Sydney, NSW 2000
	Attention:	Stephen Panizza
	Email:	stephen.panizza@federationam.com
With a copy to	Address:	Corrs Chambers Westgarth Level 9, 8 Chifley Square, Sydney NSW 2000
	Attention:	Sandy Mak
	Email:	sandy.mak@corrs.com.au

signed by the person making the communication or (on its behalf) by the solicitor for, or by any attorney, director, secretary, or authorised agent of that person.

6.2 Delivery

Communications under this deed poll must be:

(a) left at the address set out for referred to in clause 6.1(b) of this deed poll;

(b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in clause 6.1(b) of this deed poll;

(c) sent by email to the email address set out or referred to in clause 6.1(b) of this deed poll; or

(d) given in any other way permitted by law.

They take effect from the time they are received unless a later time is specified in this clause 6.

6.3 Receipt – Postal

Communications sent by post are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

6.4 Receipt – Email

Communications sent by email are taken to be received on sending (unless the sender's computer reports that the message has not been delivered).

6.5 Receipt – General

Despite clauses 6.3 and 6.4, communications are received after 5.00 pm in the place of receipt or on a non-Business Day are taken to be received at 9.00 am on the next Business Day.

7. Duty

The Bidder Subsidiary will:

(a) pay all duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with paragraph 7(a).

8 General

8.1 Exercise of Rights

If a Scheme Shareholder does not exercise a right of remedy fully or at a given time, it may still exercise it later.

8.2 Cumulative Rights

The rights, powers and remedies of the Bidder, the Bidder Subsidiary and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 Assignment

The rights and obligations of the Bidder, the Bidder Subsidiary and each Scheme Shareholder under this deed poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt, or purport, to do so without the prior written consent of the Bidder, Bidder Subsidiary and Windlab. Any purported dealing in contravention of this clause 8.3 is invalid.

8.4 Amendment

The Bidder Subsidiary must not vary a provision of this deed poll, or right created under it, unless:

(a) before the Second Court Date, the variation is agreed to in writing by Windlab, the Bidder and the Bidder Subsidiary; or

(b) on or after the Second Court Date, the variation is agreed to in writing by Windlab, the Bidder and the Bidder Subsidiary and is approved by the Court.

8.5 Waiver

Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other rights, power or remedy provided by law or under this agreement.

8.6 Severability

If the whole or part of a provision of this deed poll is void, unenforceable or illegal in jurisdiction it is severed for that jurisdiction. The remainder of this deed poll has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not effected. This clause 8.6 has no effect if the severance alters the basic nature of this deed poll or is contrary to public policy.

8.7 Further Action

The Bidder and Bidder Subsidiary will promptly do all things and execute and deliver all further documents required by law or reasonably requested by any other party to give effect to this deed poll.

8.8 Governing Law and Jurisdiction

This deed poll is governed by the law in force in the State of New South Wales, Australia. The Bidder and Bidder Subsidiary irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia and courts of appeal from them.

Signing page

Executed as a **Deed Poll**.

Executed by **Wind Acquisition 2 Pty Ltd ACN 639 328 975**
in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Director	Director/Secretary
Name (block letters)	Name (block letters)

Executed by **Wind Acquisition 1 Pty Ltd ACN 639 325 554**
in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Director	Director/Secretary
Name (block letters)	Name (block letters)

Annexure B – Scheme of Arrangement

SCHEME OF ARRANGEMENT – SHARE SCHEME

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

between

WINDLAB LIMITED
ACN 104 461 958

and

EACH PERSON REGISTERED AS A HOLDER OF FULLY PAID ORDINARY SHARES IN WINDLAB LIMITED AS AT 5.00 PM ON THE RECORD DATE (OTHER THAN THE EXCLUDED SHAREHOLDERS)

1. Preliminary

1.1 Windlab Limited

Windlab is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares. Windlab has been admitted to the official list of the ASX and Windlab Shares are quoted for trading on the financial market operated by the ASX.

1.2 Bidder and Bidder Subsidiary

The Bidder and the Bidder Subsidiary are companies incorporated in Australia and registered in New South Wales and are companies limited by shares.

1.3 Effect of Scheme

If this Scheme becomes Effective, then:

(a) in consideration of the transfer of each Windlab Share held by Scheme Shareholders to the Bidder Subsidiary, the Bidder Subsidiary will pay, or procure the payment of the Scheme Consideration to Scheme Shareholders in accordance with the terms of this Scheme;

(b) subject to the provision of the Scheme Consideration as contemplated by clause 1.3(a), all of the Windlab Shares held by Scheme Shareholders (together with all rights and entitlements attaching to the Windlab Shares at the Implementation Date) will be transferred to the Bidder Subsidiary;

(c) Windlab will enter the name of the Bidder Subsidiary in the Register in respect of all of the Windlab Shares transferred to the Bidder Subsidiary in accordance with the terms of the Scheme; and

(d) all of the Windlab Shares will be indirectly beneficially owned by the Bidder.

1.4 Scheme Implementation Agreement

The Bidder and Windlab have agreed, by executing the Scheme Implementation Agreement, to fulfil their respective obligations under that agreement and to implement this Scheme.

1.5 Deed Poll

The Bidder and the Bidder Subsidiary has entered into the Deed Poll in favour of Scheme Shareholders pursuant to which the Bidder Subsidiary has covenanted to provide, and the Bidder has covenanted to procure that the Bidder Subsidiary provides, to each Scheme Shareholder the Scheme Consideration to which such Scheme Shareholders are entitled under this Scheme and to carry out its other obligations under this Scheme.

2. Conditions

2.1 Conditions precedent to this Scheme

This Scheme is conditional on and will come into effect only if the Scheme Implementation Agreement has not been terminated and all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement have been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement, which conditions precedent include the Court approving this Scheme in accordance with section 411(4)(b) of the Corporations Act.

2.2 Effect of Conditions

The fulfilment of the conditions in clause 2.1 is a condition precedent to the operation of clauses 3, 4 and 6 of this Scheme.

2.3 Certificate

(a) Each of Windlab and the Bidder or the Bidder Subsidiary will provide to the Court at the Second Court Hearing a certificate, or such other evidence as the Court requests, confirming that all the conditions precedent in the Scheme Implementation Agreement (in respect of which it is required to use its best endeavours to satisfy under clause 3.3 of the Scheme Implementation Agreement) and this Scheme (other than Court approval under section 411(4)(b) of the Corporations Act) have been satisfied or waived.

(b) The certificates referred to in clause 2.3(a) will constitute conclusive evidence that such conditions precedent were satisfied or waived or taken to have been waived.

2.4 End Date

This Scheme will lapse and be of no further force or effect if this Scheme does not become Effective on or before the End Date.

3. Scheme Implementation

3.1 Lodgement of Court Order with ASIC

Following the approval of this Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, by no later than 5.00pm on the first Business Day following the day on which the Court approves this Scheme, Windlab must lodge with ASIC under section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme.

3.2 Transfer of Windlab Shares held by Scheme Shareholders

On the Implementation Date:

(a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 4, the Windlab Shares held by Scheme Shareholders, together with all rights and entitlements attaching to the Scheme Shares as at that date, must be transferred to the Bidder Subsidiary without the need for any further acts by Scheme Shareholders (other than acts performed pursuant to clause 3.6(b) or by Windlab as attorney and agent for the Scheme Shareholders, including under clauses 3.6 or 7.1) by:

    (i) Windlab delivering to the Bidder Subsidiary a duly completed and executed master transfer form (executed by Windlab as the attorney for the Scheme Shareholders) to transfer all of the Windlab Shares held by Scheme Shareholders to the Bidder Subsidiary for registration; and

    (ii) the Bidder Subsidiary duly executing the master transfer form, attending to the stamping of the master transfer form (if required) and delivering it to Windlab for registration; and

(b) immediately after receipt of the transfer form in accordance with clause 3.2(a)(ii), Windlab will record the Bidder Subsidiary in the Register as holder of all the Windlab Shares transferred to the Bidder Subsidiary under this Scheme.

3.3 Agreement by Scheme Shareholders

In consideration of the Scheme Consideration, the Scheme Shareholders agree to the transfer all of their Windlab Shares (together with all rights and entitlements attaching to the Windlab Shares) to the Bidder Subsidiary in accordance with the terms of this Scheme.

3.4 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Windlab in its own right and for the benefit of the Bidder and the Bidder Subsidiary, that:

(a) all of its Windlab Shares (including any rights attaching to those shares) which are transferred to the Bidder Subsidiary under this Scheme will, at the date of the transfer of the Windlab Shares to the Bidder Subsidiary, be free from all mortgages, charges, liens, encumbrances, pledges security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)), and rights and interests of third parties of any kind, whether legal or otherwise, and any restrictions on their transfer;

(b) all of its Windlab Shares which are transferred to the Bidder under this Scheme will, on the date on which they are transferred to the Bidder, be fully paid;

(c) it has full power and capacity to sell and transfer the Windlab Shares registered in their name as at the Record Date, together with all rights and entitlements attaching to such Windlab Shares; and

(d) it has no rights to be issued any Windlab Shares or any other Windlab securities, other than, in the case of a Scheme Shareholder who is also the holder of Windlab Options, Windlab Warrants or Windlab Performance Rights, the right to receive Windlab Shares on the exercise of those, or otherwise in accordance with their terms,

and Windlab is authorised to, and undertakes to, provide the warranties above to the Bidder and Bidder Subsidiary as agent and attorney of each Scheme Shareholder.

3.5 Beneficial Entitlement by the Bidder Subsidiary

Subject to the payment of the Scheme Consideration in the manner contemplated by clause 4, on and from the Implementation Date, the Bidder Subsidiary will be beneficially entitled to the Windlab Shares transferred to it under this Scheme pending registration of the Bidder Subsidiary as the holder of those Windlab Shares.

3.6 Appointment of the Bidder Subsidiary as Sole Proxy

Subject to the payment of the Scheme Consideration in the manner contemplated by clause 4, on and from the Effective Date until Windlab registers the Bidder Subsidiary as the holder of all the Windlab Shares in the Register, each Scheme Shareholder:

(a) is deemed to have appointed the Bidder Subsidiary as attorney and agent (and directed the Bidder Subsidiary in such capacity) to appoint an officer or agent of the Bidder Subsidiary, nominated by the Bidder Subsidiary, as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to Windlab Shares registered in its name and sign any shareholders' resolution, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, or by proxy or by corporate representative (other than the Bidder Subsidiary));

(b) must take all other actions in their capacity as registered holder of Windlab Shares as the Bidder Subsidiary directs;

(c) acknowledges and agrees that in exercising the powers referred to in clause 3.6(a), the Bidder Subsidiary and any officer or agent nominated by the Bidder Subsidiary under clause 3.6(a) may act in the best interests of the Bidder Subsidiary as the intended registered holder of the Scheme Shares.

4. Scheme consideration

4.1 Scheme Consideration

On the Implementation Date, in consideration of the transfer of the Windlab Shares to the Bidder Subsidiary, the Bidder Subsidiary must pay the Scheme Consideration to each Scheme Shareholder in accordance with this Scheme.

4.2 Payment of Scheme Consideration

Notwithstanding any other provision of the Scheme, the obligation of the Bidder Subsidiary to pay the Scheme Consideration will be satisfied by the Bidder Subsidiary, on the Business Day before the Implementation Date, depositing in cleared funds the aggregate Scheme Consideration into an Australian dollar denominated trust account operated by Windlab, as trustee for the benefit of Scheme Shareholders, for the purpose of sending the Scheme Consideration to the Scheme Shareholders (except that the amount of any interest on the amount deposited, less bank fees and other charges, will be credited to the Bidder Subsidiary's account). To the extent that following the satisfaction of Windlab's obligations under clause 4.3, there is a surplus in the trust account, that surplus must be paid by Windlab to the Bidder Subsidiary.

4.3 Payments to Scheme Shareholders

On the Implementation Date, and subject to the Bidder Subsidiary having deposited funds in accordance with clause 4.2, Windlab must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 4.2 by doing any of the following at its election:

(a) sending (or procuring the Windlab Registry to send) it to the address of the Scheme Shareholder in the Register (as at 5.00 pm on the Record Date) by cheque in Australian currency drawn out of the trust account referred to in clause 4.2; or

(b) depositing (or procuring the Windlab Registry to deposit) it by electronic funds transfer into an account with any Australian ADI (as defined in the Corporations Act) notified to Windlab (or the Registry) before the Record Date by an appropriate authority from the Scheme Shareholder (which will include a current authority to pay dividends).

4.4 Unclaimed monies

To the extent that a cheque or electronic funds transfer issued under this clause 4 is returned to Windlab as undelivered, or the cheque is not presented by a Scheme Shareholder earlier than six months after the Implementation Date (**Unclaimed Consideration**):

(a) Windlab may cancel the cheque or electronic funds transfer issued in respect of the Unclaimed Consideration;

(b) during the period of two years commencing on the Implementation Date, on request from a Scheme Shareholder, Windlab must reissue a cheque or electronic funds transfer that was previously cancelled under this clause 4.4; and

(c) the *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in the *Unclaimed Money Act 1995* (NSW)).

4.5 Joint Holders

In the case of Windlab Shares held in joint names:

(a) the cheque required to be sent under this Scheme must be payable to the joint holders and sent at the sole discretion of Windlab, either to the holder whose name appears first in the Register as at 5.00 pm on the Record Date or to the joint holders; and

(b) any document required to be sent under this Scheme, will be forwarded, at the sole discretion of Windlab, either to the holder whose name appears first in the Register as at 5.00 pm on the Record Date or to the joint holders.

4.6 Order of a court

If:

(a) written notice is given to Windlab (or the Windlab Registry) of an order or direction made by a court of competent jurisdiction that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Windlab in accordance with this clause 4, then Windlab may procure that payment is made in accordance with that order or direction; or

(c) written notice is given to Windlab (or the Windlab Registry) of an order or direction made by a court of competent jurisdiction that prevents Windlab from making a payment to any particular Scheme Shareholder in accordance with clause 4.2, or such payment is otherwise prohibited by applicable law, Windlab may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 4 is permitted by that order or direction or otherwise by law,

and the payment or retention by Windlab (or the Windlab Registry) will constitute the full discharge of Windlab's obligations under clause 4.2 with respect of the amount so paid or retained until, in the case of clause 4.6(b), it is no longer required to be retained.

4.7 Definition of 'sending'

For the purposes of clause 4, the expression sending means, in relation to each Scheme Shareholder:

(a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or

(b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

5. Dealings in Windlab Shares

5.1 Determination of Scheme Shareholders

For the purposes of identifying the Scheme Shareholders, dealings in Windlab Shares, or other alterations to the Register, will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Windlab Shares at or before 5.00 pm on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before 5.00 pm on the Record Date at the place where the Register is kept,

and Windlab will not accept for registration, nor recognise for any purpose (except a transfer to the Bidder Subsidiary under this Scheme and any subsequent transfer by the Bidder Subsidiary or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form.

5.2 Register

(a) (**Transmission applications or transfers received at or before 5.00 pm on the Record Date**): Windlab must register registrable transmission applications or transfers of the kind referred to in clause 5.1(b) by 5.00 pm on the Record Date, provided that, for the avoidance of doubt, nothing in this clause 5.2(a) requires Windlab to register a transfer that would result in a Windlab Shareholder holding a parcel of Windlab Shares that is less than a "marketable parcel" (for the purposes of this clause 5.2(a), "marketable parcel" has the meaning given in the Operating Rules.

(b) (**Transmission applications or transfers received after 5.00 pm on the Record Date**): Windlab will not accept for registration or recognise for any purpose any transmission applications or transfers in respect of the Windlab Shares received after 5.00 pm on the Record Date, other than a transfer to the Bidder Subsidiary in accordance with this Scheme and any subsequent transfer by the Bidder Subsidiary or its successors in title.

(c) (**Maintaining of the Register**): For the purpose of determining entitlements to participate in this Scheme, Windlab will, until the Scheme Consideration has been provided to the Scheme Shareholders, maintain the Register in accordance with the provisions of this clause 5 and the Register in this form will solely determine entitlements to the Scheme Consideration.

(d) (**Scheme Shareholder details**): As soon as practicable after the Record Date and in any event within one Business Day after the Record Date, details of the names, registered addresses and holdings of Windlab Shares of every Scheme Shareholder as shown in the Register at 5.00 pm on the Record Date are available to the Bidder Subsidiary in such form as the Bidder Subsidiary may reasonably require.

(e) (**Effect of the Record Date**): All statements of holding for Windlab Shares (other than statements of holding in favour of the Bidder) will cease to have any effect from 5.00 pm on the Record Date as documents of title in respect of those Windlab Shares and, as from that date and time, each entry current at that date on the Register relating to Windlab Shares will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the Windlab Shares relating to that entry.

(f) (**No disposal after Record Date**) From the Record Date until registration of Bidder Subsidiary in respect of all Scheme Shares under clause 3.2(b), no Scheme Shareholder may dispose or otherwise deal with Scheme Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Windlab shall be entitled to disregard any such disposal or dealing.

6. Quotation of Shares

6.1 Suspension of Trading in Windlab Shares

Windlab will apply for suspension of trading in Windlab Shares on the financial market operated by ASX from the close of trading on the Effective Date.

6.2 Termination of Official Quotation of Windlab Shares

On a date after the Implementation Date to be determined by the Bidder, Windlab will apply for termination of the official quotation of Windlab Shares on the financial market operated by ASX and the removal of Windlab from the official list of ASX.

7. General

7.1 Appointment of Attorney

(a) Scheme Shareholders will be deemed to have authorised Windlab to, and Windlab will, execute all documents and do all acts and things necessary for the implementation of, and performance of, its obligations under this Scheme and the Shareholders consent to Windlab doing all things necessary or incidental to the implementation of this Scheme.

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Windlab and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this Scheme including a proper instrument of transfer of Windlab Shares held by Scheme Shareholders for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all the Windlab Shares held by Scheme Shareholders) and any instrument appointing the Bidder Subsidiary as proxy or, where applicable, corporate representative of each Scheme Shareholder as contemplated by clause 3.6, and Windlab accepts this appointment.

(c) This Scheme has effect despite any inconsistent provision in Windlab's constitution.

7.2 Windlab and Scheme Shareholders Bound

This Scheme binds Windlab and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and will, for all purposes, have effect despite any provision in the constitution of Windlab.

7.3 Further Assurances

Windlab will execute all documents and do all acts and things necessary or expedient for the implementation of, and performance of its obligations under this Scheme.

7.4 Authority

Each of the Scheme Shareholders consent to Windlab doing all things necessary or incidental to the implementation of this Scheme.

7.5 Communications

Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Windlab, it will not be deemed to have been received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Windlab's registered office or at the Windlab Registry.

7.6 Alterations and Conditions

Windlab may, with the consent of the Bidder Subsidiary, by its counsel consent on behalf of all persons concerned to any modifications or conditions which the Court thinks fit to impose in the course of considering this Scheme.

7.7 Stamp Duty

All stamp duty (if any) payable in connection with the transfer of the Windlab Shares to the Bidder Subsidiary will be paid by the Bidder Subsidiary.

7.8 Governing Law

This Scheme is governed by the laws of New South Wales, Australia. The parties submit to the non-exclusive jurisdiction of the courts in New South Wales, Australia.

8. Definitions

8.1 Definitions

In this Scheme, except where the context otherwise requires:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

Bidder means Wind Acquisition 1 Pty Ltd ACN 639 325 554.

Bidder Subsidiary means Wind Acquisition 2 Pty Ltd ACN 639 328 975.

Bidder Group means the Bidder and its Subsidiaries.

Bidder Group Member means each body corporate in the Bidder Group.

Business Day means a business day as defined in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System, which facilitates electronic security transfer in Australia.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or any another court having jurisdiction under the Corporations Act, as agreed between the Bidder and Windlab.

Deed Poll means the deed poll dated 24 April 2020 made by the Bidder and Bidder Subsidiary in favour of Scheme Shareholders, a copy of which is contained in Annexure A of the Scheme Booklet.

Effective, when used in relation to this Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to this Scheme.

Effective Date means date on which this Scheme becomes Effective.

End Date means the date which is six months from the date of the Scheme Implementation Agreement or such other date as agreed in writing between Windlab and the Bidder.

Excluded Shareholder means Equity Trustees Limited ACN 004 031 298 as trustee for Federation Alternative Assets Renewable Energy Asset Trust 1A1 and any Windlab Shareholder who is a the Bidder Group Member or any Windlab Shareholder who holds a share on behalf of, or for the benefit of, any Bidder Group Member.

Implementation Date means the fifth Business Day following the Record Date or such other date as Windlab and the Bidder Subsidiary agree in writing.

Listing Rules means the official listing rules of ASX as from time to time amended or waived in their application to a party.

Operating Rules means the official operating rules of the financial market operated by the ASX.

Record Date means 5.00 pm on the fifth Business Day following the Effective Date or such other date as Windlab and the Bidder Subsidiary agree in writing.

Register means the register of Windlab Shareholders maintained in accordance with the Corporations Act.

Registered Address in relation to a Scheme Shareholder, the address shown in the Register as at the Record Date.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Scheme means this scheme of arrangement subject to any modifications or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed or consented to by Windlab or the Bidder Subsidiary.

Scheme Booklet means the explanatory statement that is registered by ASIC under section 412(6) of the Corporations Act in relation to this Scheme.

Scheme Consideration means a cash amount equal to $1.00 for each Windlab Share held by a Scheme Shareholder, less the amount of any dividend, return of capital or other distribution declared or paid by Windlab on or before the Implementation Date.

Scheme Implementation Agreement means the scheme implementation agreement between the Bidder and Windlab dated 4 March 2020.

Scheme Shareholders means Windlab Shareholders (other than Excluded Shareholders) as at the Record Date.

Scheme Share means a Windlab Share held by a Scheme Shareholder as at the Record Date.

Second Court Hearing means the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving this Scheme.

Second Court Date means the first day on which the Second Court Hearing is heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard.

Windlab means Windlab Limited ACN 104 461 958.

Windlab ESOPs means Windlab's current Employee Share Option Plan, approved by the Windlab Board on 22 June 2017 and Windlab's previous Employee Share Option Plan approved by the Windlab Board in or about November 2007.

Windlab Option means an option granted to an employee of the Windlab Group under the Windlab ESOPs.

Windlab Performance Right means a performance right granted to an employee of the Windlab Group under the Windlab Performance Rights Plan.

Windlab Performance Right Plan means Windlab's current Performance Right Plan, approved by the Windlab Board on 22 June 2017.

Windlab Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

Windlab Shares means fully paid ordinary shares in Windlab.

Windlab Shareholder means each person registered in the Register as a holder of Windlab Shares.

Windlab Warrant means a warrant exercisable into a Windlab Share, each of which has an exercise price of $2.00 and expires on either 4 May 2020, 30 June 2020 or 1 April 2021.

8.2 Interpretation

In this Scheme, unless the context otherwise requires:

(a) headings and bolding are for convenience and do not affect interpretation;

(b) the singular includes the plural and vice versa;

(c) the word **person** includes a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;

(d) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes and assigns;

(e) words and phrases have the same meaning (if any) given to them in the Corporations Act;

(f) references to any legislation or regulations include any statutory modification of or substitution for such legislation or regulations;

(g) references to agreements or deeds are to agreements or deeds as amended from time to time;

(h) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Scheme and a reference to this Scheme includes any annexure, exhibit and schedule;

(i) the words **including**, **for example** or **such as** when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

(j) a reference to a holder includes a joint holder;

(k) references to a currency are to Australian currency; and

(l) a reference to any time is a reference to Australian Eastern Daylight Savings Time or, after 2.00 am on 5 April 2020, Australian Eastern Standard Time.

Annexure C – Notice of Scheme Meeting

NOTICE OF SCHEME MEETING

WINDLAB LIMITED

ACN 104 461 958

Notice is given that, by an order of the Supreme Court of New South Wales made on 29 April 2020, pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares in Windlab Limited ACN 104 461 958 (**Windlab**) (other than Excluded Shareholders) will be held at 10.30am (Sydney time) on Friday, 5 June 2020.

Business of this Meeting

The business of this Scheme Meeting is to consider and, if thought fit, agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Supreme Court of New South Wales to which Windlab and Wind Acquisition 1 Pty Ltd agree) proposed to be made between Windlab and Windlab Shareholders (other than Excluded Shareholders) and to consider and, if thought fit, to pass the Scheme Resolution.

The Scheme Booklet accompanying this Notice of Scheme Meeting constitutes an explanatory statement for the Scheme as required by section 412 of the Corporations Act.

Scheme Resolution

To consider, and if thought fit, to pass the following Scheme Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

> *"That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Windlab Limited and Scheme Shareholders (the terms of which are described in the Scheme Booklet which accompanies this notice of meeting) is approved (with or without modification as approved by the Supreme Court of New South Wales)."*

Windlab Board comment and recommendations

For the reasons set out in the Scheme Booklet, the Windlab Board unanimously recommends that Scheme Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Scheme Shareholders[24].

24. In relation to the recommendation of Roger Price, Windlab Shareholders should have regard to the fact that, if the Scheme is implemented, Roger Price will become entitled to a material payment in consideration of the cancellation of unvested Windlab Convertible Securities held by him. Further details are set out in Sections 4.2(a) and 11.1 of this Scheme Booklet.

Arrangements for the Scheme Meeting

In light of the COVID-19 outbreak, Windlab is closely following guidance from the State and Federal Governments. Windlab Shareholders will not be able to attend the Scheme Meeting in person. Windlab Shareholders are provided with various alternatives to participate in the Scheme Meeting, including the ability to ask questions online or listen to the meeting via tele-conference as follows:

Watch and participate online	Dial in tele-conference
Scheme Shareholders can watch and participate in the Scheme Meeting virtually via the online platform by using: ◆ a **computer** – online at https://web.lumiagm.com ◆ a **mobile device** – using the Lumi AGM app; or Please refer to the user guide attached to this Notice of Scheme Meeting and on Windlab's website at www.windlab.com. **The meeting ID** for the Scheme Meeting is: 350-072-830 **Your username** is your SRN/HIN **Your password** which is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details. Participation at the Scheme Meeting online enables Scheme Shareholders to view the Scheme Meeting live, ask questions and cast votes at the appropriate times during the Scheme Meeting	Scheme Shareholders can dial in to the Scheme Meeting by tele-conference and will be able to listen to the Scheme Meeting. **Dial in numbers:** **Australia** – (02) 8015 6011 **Outside Australia** – +61 2 8015 6011 **Meeting ID** – 944 0224 4184 Dialing in to the Scheme Meeting by tele-conference will allow you to listen to the Scheme Meeting, but you will not be able to ask questions or cast votes on the tele-conference. You will need to vote separately as set out in Section 5.3 of the Scheme Booklet.

By the order of the Court and Board of **Windlab Limited**

Andrew Cooke
Company Secretary

Explanatory Notes

These notes should be read in conjunction with this Notice of Scheme Meeting and the accompanying Scheme Booklet. The purpose of these notes is to provide information to Windlab Shareholders in deciding whether or not to pass the resolution set out in the Notice of Scheme Meeting.

Terminology

Capitalised terms which are defined in the constitution of Windlab or in the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this notice (included these notes) unless the context requires otherwise.

Quorum

The constitution of Windlab provides that the quorum for a meeting of Windlab is three (3) members (in person or by proxy).

Chairman

The Court has directed that Charles Macek act as Chairman of the Scheme Meeting or, failing him, Joseph O'Brien.

Majority Required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Resolution contained in this Notice of Scheme Meeting must be passed by:

- a majority in number of the Scheme Shareholders in the company present and voting (either in person or by proxy) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution at the Scheme Meeting.

Entitlement to Vote

Each Scheme Shareholder (being all Windlab Shareholders other than the Excluded Shareholders) who is a registered on the Register at 7.00pm on Wednesday, 3 June 2020 is entitled to vote at the Scheme Meeting. Accordingly, registrable transmission application or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

How to Vote

If you are a Windlab Shareholder entitled to vote at the Scheme Meeting, you may vote by:

1. attending the meeting online at https://weblumiagm.com or using the Lumi AGM app;
2. appointing an attorney to attend and vote on your behalf, using a power of attorney;
3. in the case of a body corporate, appointing a corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative; or
4. appointing a proxy to attend and vote on your behalf, using the proxy form accompanying this Scheme Booklet.

Voting at the Meeting

You may participate in the meeting and vote online or appoint a proxy to vote for you.

(a) Jointly held securities

If the shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the Register will be counted.

(b) Voting in person

To participate in the Scheme Meeting and vote online. The Scheme Meeting will be held on Friday, 5 June 2020. The meeting will commence at 10.30am (Sydney time).

Eligible Windlab Shareholders may participate in the Scheme Meeting, including the ability to vote online as set out on the second page of this Notice of Scheme Meeting.

(c) Voting by proxy

A shareholder entitled to vote at the meeting is also entitled to vote by proxy. The proxy form is enclosed with this document. You may appoint not more than two proxies to attend and act for you at the meeting. A proxy need not be a shareholder of Windlab. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

The sending of a proxy form will not preclude a Windlab Shareholder from participating in the Scheme Meeting either online or by tele-conference.

To vote by proxy, the enclosed proxy form must be completed and lodged in accordance with this Notice of Scheme Meeting and the instructions on the proxy form.

Please note that proxy forms must be received at the Windlab Registry by no later than 10.30am (Sydney time) on Wednesday, 3 June 2020 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting).

(d) Voting by attorney

Original of certified copies of powers of attorney must be received by the Windlab Registry, or at the registered office, by no later than 10.30am (Sydney time) on Wednesday, 3 June 2020 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting).

The sending of a power of attorney will not preclude a Windlab member from participating in the Scheme Meeting either online or by tele-conference.

(e) Voting by corporate representative (in the case of a body corporate)

To vote at the Scheme Meeting (other than by proxy or attorney), a corporation that is a shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act and the representative must send the appointment to the Windlab Share Registry in advance of the Scheme Meeting.

Lodgement of Proxies and Queries

Proxy forms, powers of attorney and authorities should be sent to the Windlab Registry by:

- posting them in the enclosed reply paid envelope;
- posting them to the Windlab Registry at Computershare Investor Services Pty Limited GPO Box 242, Melbourne, Victoria 3001;
- faxing them to the Windlab Registry at Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (from outside Australia); or
- submitting online at www.investorvote.com.au and logging in using the details shown in the accompanying Proxy Form; or
- delivering them in person to or posting them to Windlab's registered office at Level 4, 60 Marcus Clarke Street, Canberra ACT 2601.

If the proxy form is signed by an attorney, the original or a certified copy of the power of attorney must be received by Windlab's Share Registry at the same time as the proxy form.

If you have any questions or require further information, you can call the Windlab Information Line on 1300 375 704 (within Australia) or +61 3 9415 4326 (outside Australia) Monday to Friday between 9am to 5pm (Sydney time).

Advertisement

Where this Notice of Scheme of Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from ASX's website (www.asx.com.au) or by contacting the Company Secretary of Windlab or Windlab's Share Registry.

Court Approval

If the Resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the requisite majorities, the implementation of the Scheme (with or without modification) will be subject to (among other things) the subsequent approval of the Scheme by the Court.

Hybrid and Virtual Meeting Guide

Getting Started

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time and you will need to either:

a) Visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox. Please ensure your browser is compatible; or

b) Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.

Meeting ID:

To log in, you must have the following information:

Australian Residents

Username (SRN or HIN) and Password (postcode of your registered address)

Overseas Residents

Username (SRN or HIN) and Password (three-character country code) e.g. New Zealand - NZL; United Kingdom - GBR; United States of America - USA; Canada - CAN. A full list is provided at the end of this guide.

Appointed Proxy

To receive your username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the meeting.

Online registration will open 1 hour before the start of the meeting

1 To participate in the meeting, you will be required to enter the unique 9 digit Meeting ID provided above.

2 To proceed into the meeting, you will need to read and accept the Terms and Conditions.

OR

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1

3 To register as a securityholder, select 'I have a login' and enter your username (SRN or HIN) and password (postcode or country code).

3a If you are a visitor, select 'I am a guest' and enter your name and email details. Please note, visitors will not be able to ask questions or vote at the meeting.

4 Once logged in, you will see the home page, which displays the meeting documents and information on the meeting. Icons will be displayed in different areas, depending on the device you are using.

5 View the webcast

To view proceedings you must tap the broadcast arrow on your screen. Video and/or slides of the meeting will appear after approx. 30 seconds*. Toggle between the up or down arrow to view another screen.

(*Dependant on the speed of your internet)

Broadcast	The broadcast bar allows you to view and listen to the proceedings
i	Home page icon, displays meeting information
	Questions icon, used to ask questions
	Voting icon, used to vote. Only visible when the chairman opens poll

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6 To Vote

When the Chairman declares the poll open:

- A voting icon will appear on your device and the Meeting Resolutions will be displayed.
- To vote tap one of the voting options. Your response will be highlighted.
- To change your vote, simply press a different option to override.

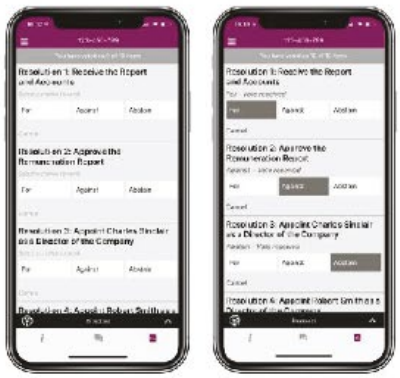
The number of items you have voted or yet to vote on, is displayed at the top of the screen.

Votes may be changed up to the time the chairman closes the poll.

7 To Ask Questions

Tap on the Questions icon to submit a question, type your question in the chat box at the bottom of the screen and then select the send icon .

Confirmation that your message has been received will appear.



On some devices, to vote, you may need to minimise the webcast by selecting the arrow in the broadcast bar, audio will still be available. To return to the webcast after voting, select the arrow again.

For Assistance

If you require assistance prior to or during the Meeting, please call +61 3 9415 4024

Available on the App Store

Get it on Google play

https://web.lumiagm.com

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3

COUNTRY CODES

Select your country code from the list below and enter it into the **password** field.

ABW ARUBA
AFG AFGHANISTAN
AGO ANGOLA
AIA ANGUILLA
ALA ALAND ISLANDS
ALB ALBANIA
AND ANDORRA
ANT NETHERLANDS ANTILLES
ARE UNITED ARAB EMIRATES
ARG ARGENTINA
ARM ARMENIA
ASM AMERICAN SAMOA
ATA ANTARCTICA
ATF FRENCH SOUTHERN TERRITORIES
ATG ANTIGUA AND BARBUDA
AUS AUSTRALIA
AUT AUSTRIA
AZE AZERBAIJAN
BDI BURUNDI
BEL BELGIUM
BEN BENIN
BFA BURKINA FASO
BGD BANGLADESH
BGR BULGARIA
BHR BAHRAIN
BHS BAHAMAS
BIH BOSNIA & HERZEGOVINA
BLM ST BARTHELEMY
BLR BELARUS
BLZ BELIZE
BMU BERMUDA
BOL BOLIVIA
BRA BRAZIL
BRB BARBADOS
BRN BRUNEI DARUSSALAM
BTN BHUTAN
BUR BURMA
BVT BOUVET ISLAND
BWA BOTSWANA
BLR BELARUS
CAF CENTRAL AFRICAN REPUBLIC
CAN CANADA
CCK COCOS (KEELING) ISLANDS
CHE SWITZERLAND
CHL CHILE
CHN CHINA
CIV COTE D'IVOIRE
CMR CAMEROON
COD CONGO DEMOCRATIC REPUBLIC OF
COG CONGO PEOPLES REPUBLIC OF
COK COOK ISLANDS
COL COLOMBIA
COM COMOROS
CPV CAPE VERDE
CRI COSTA RICA
CUB CUBA
CXR CHRISTMAS ISLAND
CYM CAYMAN ISLANDS
CYP CYPRUS
CZE CZECH REPUBLIC
DEU GERMANY
DJI DJIBOUTI
DMA DOMINICA
DNK DENMARK
DOM DOMINICAN REPUBLIC
DZA ALGERIA
ECU ECUADOR
EGY EGYPT
ERI ERITREA
ESH WESTERN SAHARA
ESP SPAIN
EST ESTONIA
ETH ETHIOPIA
FIN FINLAND
FJI FIJI
FLK FALKLAND ISLANDS (MALVINAS)
FRA FRANCE
FRO FAROE ISLANDS
FSM MICRONESIA
GAB GABON
GBR UNITED KINGDOM
GEO GEORGIA
GGY GUERNSEY
GHA GHANA
GIB GIBRALTAR
GIN GUINEA
GLP GUADELOUPE
GMB GAMBIA
GNB GUINEA-BISSAU
GNQ EQUATORIAL GUINEA
GRC GREECE
GRD GRENADA
GRL GREENLAND
GTM GUATEMALA
GUF FRENCH GUIANA
GUM GUAM
GUY GUYANA
HKG HONG KONG
HMD HEARD AND MCDONALD ISLANDS
HND HONDURAS
HRV CROATIA
HTI HAITI
HUN HUNGARY
IDN INDONESIA
IMN ISLE OF MAN
IND INDIA
IOT BRITISH INDIAN OCEAN TERRITORY
IRL IRELAND
IRN IRAN ISLAMIC REPUBLIC OF
IRQ IRAQ
ISL ICELAND
ISM BRITISH ISLES
ISR ISRAEL
ITA ITALY
JAM JAMAICA
JEY JERSEY
JOR JORDAN
JPN JAPAN
KAZ KAZAKHSTAN
KEN KENYA
KGZ KYRGYZSTAN
KHM CAMBODIA
KIR KIRIBATI
KNA ST KITTS AND NEVIS
KOR KOREA REPUBLIC OF
KWT KUWAIT
LAO LAO PDR
LBN LEBANON
LBR LIBERIA
LBY LIBYAN ARAB JAMAHIRIYA
LCA ST LUCIA
LIE LIECHTENSTEIN
LKA SRI LANKA
LSO LESOTHO
LTU LITHUANIA
LUX LUXEMBOURG
LVA LATVIA
MAC MACAO
MAF ST MARTIN
MAR MOROCCO
MCO MONACO
MDA MOLDOVA REPUBLIC OF
MDG MADAGASCAR
MDV MALDIVES
MEX MEXICO
MHL MARSHALL ISLANDS
MKD MACEDONIA FORMER YUGOSLAV REP
MLI MALI
MLT MALTA
MMR MYANMAR
MNE MONTENEGRO
MNG MONGOLIA
MNP NORTHERN MARIANA ISLANDS
MOZ MOZAMBIQUE
MRT MAURITANIA
MSR MONTSERRAT
MTQ MARTINIQUE
MUS MAURITIUS
MWI MALAWI
MYS MALAYSIA
MYT MAYOTTE
NAM NAMIBIA
NCL NEW CALEDONIA
NER NIGER
NFK NORFOLK ISLAND
NGA NIGERIA
NIC NICARAGUA
NIU NIUE
NLD NETHERLANDS
NOR NORWAY
NPL NEPAL
NRU NAURU
NZL NEW ZEALAND
OMN OMAN
PAK PAKISTAN
PAN PANAMA
PCN PITCAIRN ISLANDS
PER PERU
PHL PHILIPPINES
PLW PALAU
PNG PAPUA NEW GUINEA
POL POLAND
PRI PUERTO RICO
PRK KOREA DEM PEOPLES REPUBLIC OF
PRT PORTUGAL
PRY PARAGUAY
PSE PALESTINIAN TERRITORY OCCUPIED
PYF FRENCH POLYNESIA
QAT QATAR
REU REUNION
ROU ROMANIA
RUS RUSSIAN FEDERATION
RWA RWANDA
SAU SAUDI ARABIA KINGDOM OF
SCG SERBIA AND MONTENEGRO
SDN SUDAN
SEN SENEGAL
SGP SINGAPORE
SGS STH GEORGIA & STH SANDWICH ISL
SHN ST HELENA
SJM SVALBARD & JAN MAYEN
SLB SOLOMON ISLANDS
SLE SIERRA LEONE
SLV EL SALVADOR
SMR SAN MARINO
SOM SOMALIA
SPM ST PIERRE AND MIQUELON
SRB SERBIA
STP SAO TOME AND PRINCIPE
SUR SURINAME
SVK SLOVAKIA
SVN SLOVENIA
SWE SWEDEN
SWZ SWAZILAND
SYC SEYCHELLES
SYR SYRIAN ARAB REPUBLIC
TCA TURKS AND CAICOS ISLANDS
TCD CHAD
TGO TOGO
THA THAILAND
TJK TAJIKISTAN
TKL TOKELAU
TKM TURKMENISTAN
TLS EAST TIMOR DEMOCRATIC REP OF
TMP EAST TIMOR
TON TONGA
TTO TRINIDAD & TOBAGO
TUN TUNISIA
TUR TURKEY
TUV TUVALU
TWN TAIWAN
TZA TANZANIA UNITED REPUBLIC OF
UGA UGANDA
UKR UKRAINE
UMI UNITED STATES MINOR OUTLYING
URY URUGUAY
USA UNITED STATES OF AMERICA
UZB UZBEKISTAN
VAT HOLY SEE (VATICAN CITY STATE)
VCT ST VINCENT & THE GRENADINES
VEN VENEZUELA
VGB BRITISH VIRGIN ISLANDS
VIR US VIRGIN ISLANDS
VNM VIETNAM
VUT VANUATU
WLF WALLIS AND FUTUNA
WSM SAMOA
YEM YEMEN
YMD YEMEN DEMOCRATIC
YUG YUGOSLAVIA SOCIALIST FED REP
ZAF SOUTH AFRICA
ZAR ZAIRE
ZMB ZAMBIA
ZWE ZIMBABWE

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windlab
LIMITED
ABN 26 104 461 958

Need assistance?

Phone:
1300 375 704 (within Australia)
+61 3 9415 4326 (outside Australia)

Online:
www.investorcentre.com/contact

WND

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

For personal use only

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:30am (Sydney time) on Wednesday, 3 June 2020.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING AT THE MEETING

Online: To access the dedicated Scheme Meeting website you will be required to log-in using your SRN or HIN. Instructions are available in the Online Meeting User Guide". We recommend that you complete the set-up in the guide before the commencement of the Meeting. The guide and other important information about the Scheme Meeting are available on the Windlab website www.windlab.com.

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Windlab Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ☐

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Windlab Limited on Friday, 5 June 2020 at 10:30am (Sydney time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Scheme Resolution	For	Against	Abstain
That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Windlab Limited and Scheme Shareholders (the terms of which are described in the Scheme Booklet which accompanies this notice of meeting) is approved (with or without modification as approved by the Supreme Court of New South Wales).	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number **Email Address**

windlab
LIMITED
ABN 26 104 461 958

Need assistance?

Phone:
1300 375 704 (within Australia)
+61 3 9415 4326 (outside Australia)

Online:
www.investorcentre.com/contact

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SAMPLEVILLE VIC 3030

For personal use only

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:30am (Sydney time) on Wednesday, 3 June 2020.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING AT THE MEETING

Online: To access the dedicated Scheme Meeting website you will be required to log-in using your SRN or HIN. Instructions are available in the Online Meeting User Guide". We recommend that you complete the set-up in the guide before the commencement of the Meeting. The guide and other important information about the Scheme Meeting are available on the Windlab website www.windlab.com.

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Windlab Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ☐

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Windlab Limited on Friday, 5 June 2020 at 10:30am (Sydney time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Scheme Resolution	For	Against	Abstain
That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Windlab Limited and Scheme Shareholders (the terms of which are described in the Scheme Booklet which accompanies this notice of meeting) is approved (with or without modification as approved by the Supreme Court of New South Wales).	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number **Email Address**

Annexure D – Independent Expert's Report

KPMG Corporate Finance
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Tower Two, Collins Square
727 Collins Street
Melbourne Vic 3008

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Independent Directors
Windlab Limited
Level 4
60 Marcus Clarke Street
Canberra ACT 2601

23 April 2020

Dear Directors

Independent Expert Report and Financial Services Guide

Part One – Independent Expert's Report

1 Introduction

On 20 January 2020, Windlab Limited (Windlab or the Company) announced it had received a conditional, non-binding and indicative proposal from Federation Asset Management Holdings Pty Ltd (Federation) to acquire the remaining shares it does not currently own of Windlab at a cash offer price of $1.00 per ordinary share (Indicative Offer).

Following a period of exclusive due diligence, Windlab announced on 4 March 2020 that it had entered into a Scheme Implementation Agreement (SIA) with Wind Acquisition 1 Pty Ltd (Bidder), an investment vehicle owned by Federation and Squadron Wind Energy Developments Pty Ltd (Squadron) (together, the Bidder Consortium) under which the Bidder Consortium will acquire 100% of the outstanding ordinary shares in Windlab by way of a scheme of arrangement (Scheme).

Under the terms of the Scheme, Windlab shareholders (other than Excluded Shareholders[1]) (Scheme Shareholders) will receive cash consideration of $1.00 per Windlab share less any dividends, return of capital or other distributions to which Windlab shareholders become entitled on or before the implementation date of the Scheme (Scheme Consideration).

Currently, the Bidder has an interest in approximately 18.7% of Windlab shares.

On 31 March 2020, Windlab announced it had entered into a $20 million subordinated debt facility agreement with the Bidder Consortium for a term of three years. This facility provides

[1] Excluded Shareholders means Equity Trustees Limited as trustee for Federation Alternative Assets Renewable Energy Trust 1A1 and any Windlab shareholder part of the Bidder Group.

Windlab with access to the necessary funds to manage liquidity through any future project delays including Kennedy Energy Park (KEP). Drawdown of the loan is subject to completion of customary conditions precedent, including the granting of second ranking security across Windlab. The availability of this funding is not conditional on Scheme shareholders approving the Scheme.

Further details in relation to the Scheme are set out in Section 5 of this report.

Windlab is an Australian public limited company listed on the Australian Stock Exchange (ASX), with a market capitalisation of $64.1 million on 23 April 2020. Windlab is an international renewable wind energy development company headquartered in Canberra with operations in Australia, South Africa and Sub-Saharan Africa.

The Directors of Windlab have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an independent expert's report setting out whether the Scheme is in the best interests of Scheme Shareholders.

This report outlines KPMG Corporate Finance's opinion on the Scheme and should be considered in conjunction with and not independently of the information set out in the Notice of meeting and Explanatory statement (Scheme Booklet).

Further information regarding the scope of this report is set out in Section 6.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirement for our report

Section 411(3) of the Corporations Act (the Act) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

In this regard, although an independent expert's report is not explicitly required to be provided under Schedule 8 of the Corporations Regulations 2001 (Cth), the Board has requested KPMG Corporate Finance to prepare an independent expert's report to satisfy the requirements of Section 411(3) and the conditions of the Scheme.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (RG 111) which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a transaction is "fair and reasonable", and therefore "in the best interests" of scheme participants.
Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this IER.

3 Summary of opinion

In our opinion, the Scheme **is in the best interests of Scheme Shareholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- fair, by comparing the Scheme Consideration to our assessed value of a Windlab Share on a controlling interest basis. The approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Scheme for Scheme Shareholders, the alternatives to the Scheme which are available to Scheme Shareholder and the consequences for Scheme Shareholder of not approving the Scheme.

Our assessment has concluded that the Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Scheme is in the best interests of Scheme Shareholders.

Company and transaction background

Windlab developed atmospheric modelling and wind energy assessment technology, *WindScape*, for use in its onshore wind farm developments.

The Company listed on the ASX via an initial public offering (IPO) during August 2017 issuing 25 million shares at $2.00 per share. At the time of the IPO, Windlab had a portfolio of development projects located across the Eastern and Southern regions of Australia, as well as North America, South Africa and Sub-Saharan Africa.

Since listing, Windlab has encountered headwinds that have negatively impacted its growth. The Australian renewables sector has faced grid connections issues, reductions in marginal loss factors (MLF) and uncertainty over Federal and State energy policy, which have all combined to challenge the project economics and investor appetite for new development projects. This contributed to delays in completion of KEP and Lakeland Wind Farm (Lakeland) and the withdrawal of InfraRed Capital Partners from Lakeland. By November 2018 Windlab's share price had fallen to approximately half of its IPO price.

Faced with a further declining share price, in August 2019 Windlab announced that it would undertake a strategic review of its operations (Strategic Review). This would consider alternative ownership models and capital management initiatives.

Shortly after announcing the Strategic Review, Federation purchased Innovation Capital's 18.4% interest in Windlab via an off-market trade at $0.80 per Windlab share.

The Strategic Review resulted in a decision to exit the North American market and ultimately the announcement of the Indicative Offer on 20 January 2020. After a period of exclusive due diligence, the Scheme was announced on 4 March 2020.

During this period, KEP suffered further delays including a dispute resolution process with the Engineering Procurement and Construction (EPC) contractor. At the same time as entering into the Scheme, the Bidder Consortium agreed to provide the Loan Facility to Windlab which will provide access to necessary funds to manage liquidity through any project delays, including KEP.

The Scheme provides Windlab Shareholders the opportunity to exit their investment at a premium of 38.9% to the closing share price of Windlab Shares prior to the announcement of the Indicative Offer on 20 January 2020.

It is in this context that KPMG Corporate Finance has assessed the Scheme as discussed below.

3.1 The Scheme is fair to Scheme Shareholders

We have assessed the value of a Windlab Share to be in the range of $0.68 to $1.00 (inclusive of a control premium). Our valuation is set out in Section 8 of this report and is summarised below.

Table 1: Windlab valuation summary

$ million unless otherwise stated	Section reference	Value range Low	High
Operating assets			
Kiata	8.3.1	15.3	17.0
Coonooer Bridge	8.3.2	0.4	0.5
KEP	8.3.3	14.0	18.0
Late stage developments			
Lakeland	8.4.1	11.5	13.5
Early stage developments			
Australia	8.5.1	7.0	16.5
South Africa	8.5.2	3.1	3.1
Sub-Saharan Africa	8.5.3	1.8	1.8
Asset management contracts	8.6	5.4	5.7
Royalty agreement	8.7	2.5	2.6
Success fees	8.8	3.9	4.0
Value of business assets		**65.0**	**82.6**
Capitalised corporate overheads	8.9	(20.0)	(15.0)
Corporate - other assets/(liabilities)	8.10	(0.1)	(0.1)
Net cash at corporate level[1]	8.11	2.7	2.7
Value of 100% equity of Windlab		**47.6**	**70.2**
Diluted number of Windlab Shares (million)[2]		70.0	70.0
Value per Windlab Share		**0.68**	**1.00**
Value per Windlab Share (mid-point)		**0.84**	

Source: KPMG Corporate Finance Analysis.
Note 1: Cash as at 31 December 2019 includes Windlab's share (75%) of restricted cash of $9.0 million, which is held by Windlab East Africa and restricted for use within that entity.
Note 2: Includes 1.8 million of shares issued to senior management under incentive plans including pre-IPO options and performance rights which will vest in the ordinary course of the Scheme.

Our valuation reflects 100% of Windlab and therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which Windlab Shares trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to a pool of potential purchasers of Windlab. As such, we have not included the value of special benefits that may be unique to the Bidder Consortium. Direct synergies available to such pool of purchasers would likely only include public company costs. Therefore, the valuation assumes that these expenses are eliminated (see Section 8.9).

Windlab's business has been valued based on a sum-of-the-parts approach. The value of the Company is the sum of the following:

- equity interests in operating projects and late stage developments located in Australia, which have been valued using a Discounted Cash Flow (DCF) methodology, with cross-checks to Enterprise Value (EV) / megawatt (MW) multiples

- early stage development projects, which have been valued on a MW multiples or cost approach
- asset management contracts, royalty agreement and success fees, which have been valued using a DCF methodology
- corporate overheads, which have been valued based on a capitalisation of earnings methodology, and
- non-operating liabilities and net cash at the corporate level, which are based on book values.

Details of our valuation are outlined in Section 8. The key factors considered in our assessment of the value of Windlab are:

- ***Operating projects in Australia***

  The valuation reflects commercial assumptions including *inter alia*, economic life of the project, electricity generation volume, loss factors through transmission and distribution, Power Purchase Agreements (PPA) duration and prices, merchant electricity prices, large scale generation certificates (LGC) contracts and prices, operating costs, capital expenditure and gearing.

  When determining project discount rates (both operating and development) we have reflected risks specific to the project, as appropriate, including: construction risk, ramp-up risk, counterparty risk, merchant pricing risk and refinancing risk.

  Windlab operating projects (Kiata and Coonooer Bridge wind farms) were developed with *Windscape* technology and their value reflects the benefit of high net capacity factors (NCF) and contracted PPAs. Leverage is high at the beginning stages of the projects, but moderates over the life of the asset as debt is amortised.

  The valuation of KEP (in commissioning stage) considers a range of scenarios and is skewed towards the upside based on our understanding of the risks of the project, the stand still arrangement with its EPC contractor and our understanding of the priority and intent of all parties to successfully complete the project as soon as possible.

- ***Late stage development project in Australia***

  Lakeland presents an opportunity for Windlab to earn a development margin through a combination of cash and carried interest at financial close. In addition, Windlab is able to provide ongoing management services to the project through construction and into operations.

- ***Early stage development projects***

  We have ascribed value to projects that are post the validation stage or of strategic importance, acknowledging that any potential acquirer is unlikely to pay for earlier development activities for which they will bear all risks and front all capital. The value of these projects has either been based on MW multiples (Kennedy and Upper Burdekin wind farms) or costs incurred to date (African projects).

- ***Asset management business***

  The asset management business provides services during construction and follow-on annuity work from the development pipeline. Whilst there is potential upside from the renewal of contracts, we have only ascribed value to existing contracts and those that Windlab expect to secure in the short term.

- ***Corporate overheads***

  In valuing the individual components of the Windlab business, no allowance has been made for unallocated corporate costs. As such, unallocated group overheads, reduced by savings of public company costs, have been capitalised at an appropriate multiple and deducted from the valuation.

- ***Other components of value***

  Other components of value are discussed in Section 8.

COVID-19

A general discussion on COVID-19 is set out in Section 3.3. Windlab's operating wind farms have defensive characteristics as they are not demand or GDP driven but rather generate electricity from wind (a renewable resource) under contractual arrangements (PPAs) which provide a level of revenue stability. Development activities by their nature are subject to risk and uncertainty. Economic uncertainty arising from COVID-19 may impact Windlab's ability to raise third party debt and equity and to bring its development projects to financial close and/or diminish the returns that Windlab may otherwise generate from those projects. However, in the context of long term operating projects and 3 to 5 year development projects, the impact of COVID-19 is not expected to be significant.

The FY19 annual report states that Windlab has considered the effects of COVID-19 on its business and believes that there is no material impact on its operations, asset values and impairment considerations. As the potential impacts of COVID-19 continue to evolve, management will continue to monitor the situation and the impact on the business.

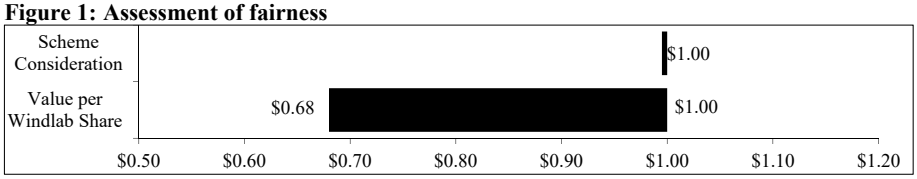
As noted below, to the extent possible, we have reflected these conditions in our opinion. Whilst we consider the overall impact of COVID-19 to have limited (short term) impact on Windlab, we have considered the impact in our valuation of Windlab Shares as follows:

- Operating assets – the impact of COVID-19 on operating windfarms is considered to be limited as they have defensive characteristics and contractual PPAs
- Late stage developments – our valuation caters for expected construction delays arising from various factors including contractor movement restrictions related to COVID-19
- Early stage developments – our valuation factors in probability factors and MW multiples that cater for development risks and uncertainty, including access to third party debt and equity funding, and
- Discount rates – government bond yields have declined over the first quarter of 2020. Our selected risk free rate in the discount rate includes a premium that offsets that reduction to cater for macro-economic uncertainty.

Assessment of fairness

A comparison of our assessed value per Windlab Share on a control basis to the Scheme Consideration is illustrated in the following figure.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance Analysis.

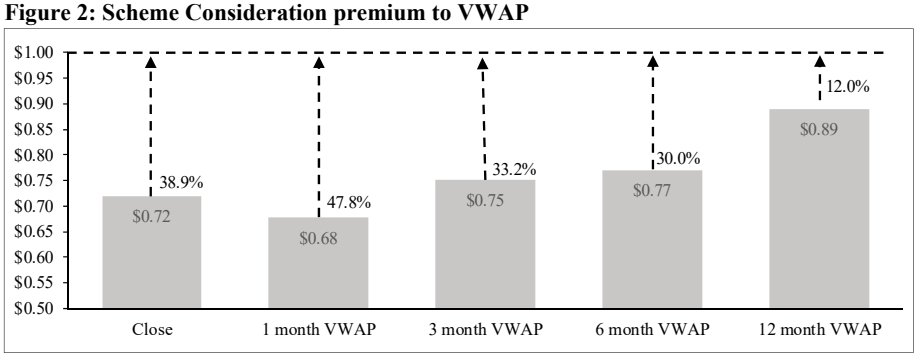
According to RG 111, the Scheme should be considered fair if the Scheme Consideration offered to Scheme Shareholders is equal to or higher than our assessed value of a Windlab Share. As the Scheme Consideration of $1.00 per Windlab Share falls at the high end of our assessed range for a Windlab Share, we consider the Scheme to be fair.

3.2 The scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we consider the Scheme to be fair, this would imply that the Scheme is also reasonable. However, irrespective of the statutory obligation to conclude the Scheme is reasonable, we have considered a range of factors that are relevant to the assessment of the reasonableness of the Scheme.

The Scheme Consideration represents a substantial premium to the undisturbed trading price of Windlab Shares

Figure 2: Scheme Consideration premium to VWAP



Source: KPMG Corporate Finance Analysis.
Note: 1 month VWAP is based on 30 calendar days.

With regards to our assessment of the premiums implied by the Scheme Consideration, we note:

- the Scheme Consideration of $1.00 represents a 38.9% premium to the last closing price prior to the announcement of the Indicative Offer on 20 January 2020. This premium, together with the one month volume weighted average price (VWAP), is higher than the premium observed over longer periods. This likely reflects that Windlab was trading at a low point at the time of the Indicative Offer and the share price likely reflected the uncertainty regarding delays in development projects and the contractor dispute on KEP

- the Scheme Consideration represents a 12.0% premium to the 12 month VWAP. This premium is lower than that observed over shorter periods illustrated above. This likely reflects the impact of industry challenges over the past year (including declines in MLFs and various grid connection issues), as well as issues specific to Windlab, including project delays at KEP and Lakeland
- the premia above are all relative to calculations of the price of Windlab Shares for periods prior to the effect of the COVID-19 pandemic on equity markets. The Scheme Consideration of $1.00 per Windlab Share has not been affected by or renegotiated as a result of COVID-19, including its effects on equity markets
- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading prices of share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%[2] for completed takeovers depending on the individual circumstances. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater
- the premium offered by the Bidder Consortium over Windlab's trading price likely reflects a combination of the synergies available from full control and savings of public company costs
- since the announcement of the Indicative Offer on 20 January 2020, Windlab shares have traded between $0.77 and $0.98 per share, with a VWAP of $0.93 per share, indicating the positive market perception of the Scheme and access to capital through the Loan Facility. Windlab's share price declined to $0.77 on 23 March 2020 which likely reflected macro-economic uncertainty triggered by COVID-19, although it recovered thereafter
- we are not aware of an increased or alternative offer to the Scheme, or the intentions of the parties who have sold or increased their interests. We note that the VWAP since the announcement of the Indicative Offer of $0.93 falls towards the high end of our valuation range.

Risks facing the Windlab business may subdue total returns to Scheme Shareholders in the short to medium term

Windlab's success is dependent on the performance of its operating portfolio and its success in bringing development projects to financial close, in order to earn a development fee, retain a carried interest and provide on-going management services. Whilst Windlab has a strategy in place to progress both domestic and international projects, the business faces a number of risks:

- although PPAs provide a level of revenue stability, project profitability is subject to fluctuations in key drivers, including *inter alia*, the volume of wind generation, transmission and distribution loss factors (MLF and DLF) and merchant electricity prices in the long term. Whilst not currently relevant to either Kiata or Coonooer Bridge, to the extent the performance of the operating projects are negatively impacted by these parameters, their ability to service debt may be hindered, thereby inhibiting distributions to equity shareholders

[2] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

- short and medium term profitability of Windlab is dependent on its ability to fully realise the value of advanced Australian development projects, KEP and Lakeland. Whilst KEP is in commissioning stage but subject to delays, the timing of Lakeland (in offtake and financing stage) is uncertain and dependent on access to capital and reaching financial close. Other projects (Upper Burdekin wind farm (Upper Burdekin), Victoria Project 1 and Kennedy Wind Farm Stage 1) are at earlier stages of development. Development projects in Australia are sensitive to a range of market and project specific factors, including grid connections, fluctuations in MLF, market movements in electricity prices and government policy. Many of those factors are beyond the control of Windlab and may impact on the timing of development projects reaching financial close
- the ability to secure future funding in order to sustain the level of liquidity required to continue its development pipeline. In this regard, the Loan Facility extended by the Bidder Consortium is aimed at alleviating short to medium term liquidity requirements of bringing KEP to commercial operations and Lakeland to financial close. The successful completion of near term projects will ensure Windlab earns its return on investment and thereby maintains the liquidity required for the development of future projects
- projects in South Africa and Sub-Saharan Africa are exposed to political uncertainty and sovereign risks. The timing of financial close for South African projects is subject to government tender announcements and Windlab ultimately being successful in these processes.

The Scheme Consideration provides an exit to Scheme Shareholders at a price which is certain and free from transaction costs

The Scheme Consideration is in cash and allows the Scheme Shareholders to immediately realise the value from their investment at a price above current trading prices and provides certainty of the pre-tax amount they will receive per Windlab share. In addition, Scheme Shareholders will not incur brokerage fees as part of the Scheme.

Scheme Shareholders who receive the Scheme Consideration will not participate in the potential longer term benefits from any future growth of the business

Whilst Windlab's strategy to further develop its portfolio across Australia and Africa is not without risk, Windlab is well-positioned to capitalise on favourable long term industry fundamentals of the renewable energy sector. The scenario analysis summarised in Section 8 of this report, illustrates the potential upside that may be available to the Scheme Shareholders, arising from Windlab successfully progressing selected projects to financial close. Notwithstanding this, Windlab will need to navigate technical and regulatory challenges in order to crystallise any potential upside in the long run.

By exiting an investment in Windlab, Scheme Shareholders will not participate in the potential longer term benefits from future developments (nor be exposed to any of Windlab's future risks, including the expected subdued total shareholder returns in the short to medium term, as discussed previously).

No alternative proposal to acquire Windlab Shares has been received and the likelihood of an alternative proposal emerging at this time is considered low

The Strategic Review considered alternative Company or ownership models (including control transactions) and capital management initiatives.

The Strategic Review involved discussions with a number of credible industry participants, several of whom executed non-disclosure agreements. A small number of indicative proposals were discussed or received by Windlab including the Indicative Offer. However, no other comprehensive proposal to acquire all of the Windlab Shares had (or has) been received.

After a period of non-exclusive due diligence, in January 2020 the Bidder Consortium reaffirmed its Indicative Offer and Windlab agreed to cease discussions with other participants under the Strategic Review to allow the Bidder Consortium to finalise its due diligence investigations and to conclude negotiation of a binding SIA.

A competing bid for the whole of Windlab was not received following the Strategic Review. The break fee of $700,000 payable under certain circumstances if an alternative proposal is recommended by the Board, is not of a sufficient quantum to dampen the interest of another interested party. However, the 18.7% interest held by the Bidder Consortium may pose a deterrent to a party wishing to make a competing bid.

Consequently, if Scheme Shareholders do not approve the Scheme, they are unlikely to benefit from an alternative control transaction in the near term.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for Scheme Shareholders to consider these factors in assessing the Scheme.

One-off Transaction costs associated with the Scheme

Windlab management has estimated total one-off transaction costs in relation to the Scheme to be approximately $2.7 million on a pre-tax basis, of which approximately $0.9 million will have been paid, or committed, prior to the Scheme Meeting.

The Scheme is subject to the satisfaction of a number of conditions

There are a number of conditions which if not satisfied will result in the Scheme not being implemented. In particular, approval by the Court and by the requisite majority of Scheme Shareholders.

If the Scheme is not approved, Scheme Shareholders will continue to hold their existing shareholding in Windlab.

Taxation implications for Scheme Shareholders

The tax consequences of the Scheme will depend on the individual circumstances of the Scheme Shareholders. The Scheme, if approved and implemented, will result in the disposal of the Windlab Share by the Scheme Shareholders. The change of ownership will constitute a capital gains tax event for Australian tax purposes.

Details around the tax implications of the Scheme are summarised in Section 9 of the Scheme Booklet.

Scheme may proceed even if you vote against it

Even if you decide to vote against the Scheme, the Scheme will nevertheless proceed if it is approved by the requisite majority of Scheme Shareholders, approved by the Court and if the other Scheme Conditions are satisfied or waived.

Windlab's Directors have indicated they will vote in favour of the Scheme

The Directors of Windlab have indicated their support for the Scheme and unanimously recommend Scheme Shareholders to vote in favour of the Scheme in the absence of a superior proposal. Directors of Windlab intend to vote all the Windlab Shares that they own or control in favour of the Scheme in the absence of a superior proposal.

The interests of Windlab Directors (including Mr. Roger Price[3], the Executive Chairman and Chief Executive Officer of Windlab), in Windlab Shares and Windlab Convertible Securities are detailed in Section 11.1 of the Scheme Booklet.

COVID-19

The timing of the Scheme corresponds with a period of unprecedented social and community disruption, as governments seek to counter the spread of a new coronavirus that causes the COVID-19 disease. Equity markets have seen significant volatility and the reaction of equity markets in periods of significant dislocation is often one that initially reprices all equities in a similar fashion, before the defensive characteristics of certain sectors are recognised and repriced appropriately.

The impact of COVID-19 on value depends on the characteristics of the individual investments. In this regard, demand based assets are most at risk from a downward value adjustment, particularly those investments exposed to the travel sector (e.g. airports) and directly correlated with GDP performance (e.g. ports). Availability based or regulated assets are expected to be more stable at a revenue level, unless broader economic pressures force changes to contractual mechanisms. However, demand based assets will have the potential to recover quicker when economic activity returns and will also be potential beneficiaries of initial government stimulus measures.

The profile of the recovery is a bigger determinant of value impact than the movement in equity markets. Contributing to the speed of recovery will be the success of the widespread global government stimulus measures announced to support industries and individuals in negotiating the downturn. However, whilst these measures may soften the immediate impact, the cost of funding these measures is likely to create a prolonged longer term drag on economic performance. Factors specific to Windlab are discussed in Section 3.1.

[3] Should the Scheme be approved and implemented, Mr. Price will become entitled to payment in consideration of the cancellation of unvested Windlab Performance Rights held by him. The effect of the arrangement is to treat the Windlab Performance Rights as if they had fully vested and the consideration payable for the cancellation of each Windlab Performance Rights is equal to the Scheme Consideration of $1.00 per Windlab Share. The treatment of Windlab Performance Rights is consistent across all Windlab employees. Full details are outlined in Section 3.2 of the Scheme Booklet.

3.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Windlab will continue to operate in its current form and remain listed on the ASX.

As a consequence:

- Windlab will continue to execute its current business strategy
- Scheme Shareholders will not receive the Scheme Consideration and the implications of the Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. Windlab is not liable to pay the break fee if the Scheme fails to be approved by Scheme Shareholders
- Scheme Shareholders will continue to be exposed to the benefits and risks associated with an investment in Windlab, and
- Windlab's share price will likely fall in the short to medium term. The current share price of Windlab reflects the terms of the Scheme and therefore includes a control premium. As such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the Windlab share price is likely to fall to levels consistent with trading prices prior to the announcement of the Scheme, or potentially lower, in the absence of further progress of underlying development projects.

4 Other matters

In forming our opinion, we have considered the interests of Scheme shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications of the Scheme on individual shareholders as their financial circumstances are not known. The decision of shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Scheme Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars ($) unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme booklet to be sent to Scheme Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Adele Thomas
Authorised Representative

Sean Collins
Authorised Representative

KPMG

Windlab Limited
Independent Expert Report
23 April 2020

Contents

5 The Scheme

5.1 Background and terms of the Scheme

On 4 March 2020, Windlab announced that it had entered into the SIA with the Bidder Consortium under which the Bidder Consortium will acquire 100% of the outstanding ordinary shares in Windlab by way of the Scheme.

Under the terms of the Scheme, Scheme Shareholders will receive the Scheme Consideration which is $1.00 per Windlab share less any dividends, return of capital or other distributions to which Scheme Shareholders become entitled on or before the implementation date of the Scheme.

5.2 Conditions of the Scheme

Completion of the Scheme is subject to a number of conditions precedent as set out in the SIA, including:

- the Scheme is approved by the required majorities of Scheme Shareholders
- an independent expert concludes that the Scheme is in the best interests of Scheme Shareholders
- the court approves the Scheme and the Deed Poll is executed within the stipulated timeframe
- Windlab has entered into Convertible Security Deeds with each holder of Windlab Convertible Securities[4] and Windlab obtains the necessary ASX waivers
- all consents and notifications required in respect of the Clean Energy Finance Corporation (CEFC) Facilities are provided
- other customary conditions, including 'no material adverse change', 'no prescribed events', 'no restraints', 'no change of control', and various representations and warranties. A material adverse change includes a reduction in the value of the consolidated net assets of Windlab for the financial year 31 December 2019 by more than $9.1 million and Windlab being unable to carry on its business in substantially the same manner as carried in the 12 months prior to the date of the SIA.

Further details on the conditions precedent are contained in Section 3 of the SIA.

The SIA also contains certain exclusivity provisions that apply during the Exclusivity Period[5] including 'exclusivity of due diligence', 'no current discussions', 'no shop' and 'no talk' restrictions, a notification obligation and a matching right.

5.3 Break fees

Should the Scheme not proceed due to certain circumstances, a break fee of $700,000 will be payable by Windlab to the Bidder. The break fee is payable where: (i) a superior proposal is received or announced and the SIA is terminated, and (ii) there's been a material breach of the SIA by Windlab. The break fee represents compensation for costs, expenses, outgoings and losses if the Scheme does not proceed.

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[4] Windlab Convertible Securities means the Windlab Options, the Windlab Performance Rights and the Windlab Warrants.
[5] The period from and including the date of the SIA (4 March 2020) to the earlier of: (i) the implementation date; (ii) the termination of this agreement and (iii) the end date (date that is six months from the date of the SIA or such other date agreed in writing between the Bidder and Windlab before the date).

The circumstances under which the break fee is payable by Windlab include the completion by Windlab of a competing transaction or any Director failing to recommend the Scheme. Full details of when the break fee is payable are described in Section 4.4 of the Scheme Booklet. No break fee or reverse break fee is payable if the Scheme is completed.

6 Scope of the report

6.1 Purpose

The Directors of Windlab have requested KPMG Corporate Finance to prepare a report in accordance with Section 411 of the Act and guidance provided by ASIC.

Section 411(3) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

Part 3, Schedule 8 of the Corporations Regulations specifies that the information to be lodged with ASIC must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

In this regard, although an independent expert's report is not explicitly required to be provided by law, the Board has requested KPMG Corporate Finance to prepare an independent expert's report to satisfy the requirements of Section 411(3) of the Act and the conditions of the Scheme.

This IER is to be included in the Scheme Booklet to be sent to Scheme Shareholders and has been prepared for the purpose of assisting the Scheme Shareholders in their consideration of the Scheme.

6.2 Basis of assessment

RG 111 "Content of expert reports", issued by ASIC, indicates the principles and matters ASIC expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. That is, RG111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis)
- an offer is 'reasonable' if it is 'fair'.

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer. Accordingly, when assessing the full underlying value of Windlab, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Windlab. As such, we have not included the value of special benefits that may be unique to the Bidder Consortium.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity and volatility of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company.

In the circumstances of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the shares subject to the scheme but that there are sufficient reasons for shareholders to vote in favour of the scheme in the absence of a higher offer.

In forming our opinion, we have considered the interests of Scheme Shareholders as a whole. As an individual shareholder's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend they each consult their own financial advisor.

6.3 Limitations and reliance information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Windlab for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Windlab's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Windlab has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information

which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Windlab. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Windlab remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors of Windlab, together with the Company's legal advisers, are responsible for conducting due diligence in relation to Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty as governments announce severe measures to counter the spread of coronavirus. To the extent possible, we have reflected these conditions in our opinion. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the company being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Windlab has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Windlab and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Windlab. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Windlab.

7 Profile of Windlab Limited

7.1 Company overview

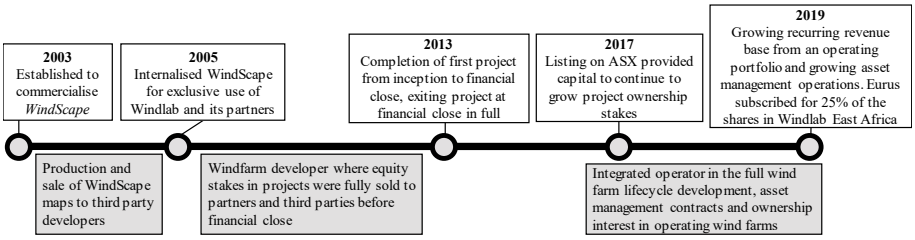
7.1.1 Windlab overview

Windlab, an Australian public limited company listed on the ASX, is an international wind energy development company headquartered in Canberra with operations in Australia, South Africa and Sub-Saharan Africa. Windlab has historically had operations in North America, but is in the process of exiting that market (refer to Section 7.6)

Windlab was established in 2003 to commercialise an atmospheric modelling and wind energy assessment technology, *WindScape*, which was originally developed by the founders of the Company at the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Windlab focuses on onshore wind farm developments.

Key milestones in Windlab's corporate history and the evolution of its business model are set out in the figure below.

Figure 3: Windlab's time-line and business model evolution



Source: Windlab.

Windlab is the sole owner of *WindScape*, a proprietary atmospheric wind modelling and wind energy analysis technology. *WindScape* is used to:

- identify high quality wind resources during wind farm site prospecting, and
- design a wind farm in a manner which optimises electricity generation and economic returns.

Windlab has successfully used *WindScape* in identifying, acquiring and developing wind farms in Australia and internationally.

As summarised in the table below, Windlab has completed the development of nine projects with 1,093[6] megawatt (MW) of operating capacity across multiple jurisdictions. Three of these projects, accounting for a total of 111 MW of operating capacity, were developed by Windlab from initial identification through to financial close and Windlab continues to hold an ownership stake.

[6] Includes wind farm assets developed and controlled by Windlab and partnered projects which were initially developed by Windlab and subsequently sold to a third party, prior to that third party progressing the project to financial close.

Table 2: Windlab's completed projects

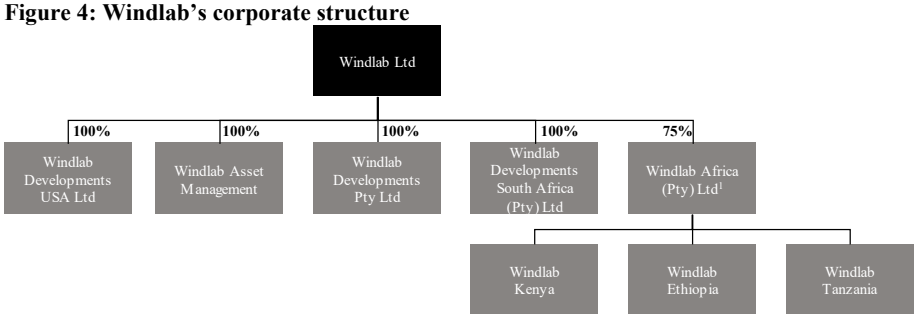
Project completed	Location	Estimated capacity (MW)	Financial close	Completion
Kennedy Energy Park Stage 1[1]	Australia	60	2017	n/a
Coopers Gap[2]	Australia	453	2017	2020
Coonooer Bridge	Australia	20	2015	2016
Kiata	Australia	31	2016	2018
West Coast One	South Africa	94	2013	2015
Oaklands Hill	Australia	63	2009	2012
Collgar wind farm	Australia	206	2010	2012
Amakhala Emoyeni (Phase I)	South Africa	134	2014	2016
Bull Creek	Canada	30	2011	2015

Source: Windlab.
Note 1: In August 2019, KEP was connected to the electricity grid and electricity generation commenced, exporting electricty to the network under a 5MW export limit until AEMO registers the project as a generator. A dispute with the project's EPC has caused delays to registration and operation of the project. This is discussed further in Section 7.4.
Note 2: The site was identified by Windlab's WindScape technology and jointly developed with AGL, reaching financial close in 2017.

7.1.2 Windlab Group structure

The figure below represents the corporate structure of the Windlab.

Figure 4: Windlab's corporate structure



Source: Windlab.
Note 1: Eurus Energy Holdings Corporation (Eurus) holds the remaining 25% of Windlab Africa Pty Ltd (WA).

7.1.3 Windlab's wind farm development process

The Figure below summarises the key steps that Windlab typically undertakes in a wind farm development process.

Table 3: Windlab's wind farm development process

Stage of development	Outline
Pre-development stage Prospecting	• Windlab uses *WindScape* to perform a search of vast land areas from its headquarters in Canberra • Windlab is able to determine precise locations of possible wind farms and ultimately design virtual wind farms at a desktop level • For promising locations, Windlab staff conduct visits where they assess potential risks with the project and may initiate engagement with key community stakeholders
Development stage 1 Acquisition	• Site securement process involving landholder negotiations • Agree on monitoring and access agreements and complete the sign up of all landowners involved in the project • Where possible enter into an option for a long term lease or similar arrangement

Development stage 2 Validation	• Initial project financial feasibility assessment • Install a wind monitoring equipment • Conduct a grid connection enquiry and preliminary feasibility study • Preliminary environmental and heritage studies • Preliminary planning study to understand approvals process and discussions with planning authorities • Preliminary market study to assess potential to obtain offtake agreements and pricing
Development stage 3 Approvals and Permitting	• Complete all necessary environmental studies • Collect data from wind monitoring mast • Solicit bids for the supply of turbines and balance of plant. The turbine manufacturers in conjunction with Windlab will make an assessment of the appropriate turbine models (including size and weight) given the wind characteristics of the site • Lodge a grid connection application • Apply for all planning and environmental permits required to allow construction
Development stage 4 Offtake and Financing	• Execution of final leases with land owners • Determine optimal balance between offtake agreements and spot market exposure • Assess, negotiate and conclude off-take agreements for the sale of electricity and LGCs, as applicable • Negotiate debt finance and equity sell down • Negotiate of Generator Performance Standards with the network service provider and regulators

Source: Windlab.

7.1.4 Windlab's integrated wind farm model

Windlab is an integrated wind farm developer, owner and asset manager. Depending on the project, the company will either seek:

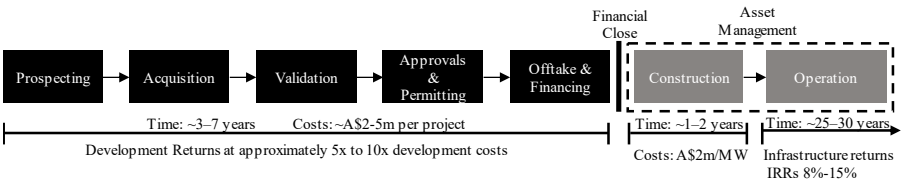
- a full exit from the project on or before financial close (construction commencement) in exchange for a cash payment, or
- a partial cash payment and the retention of an ongoing interest in the project to derive equity distributions once the project is operational.

Windlab also provides asset management services for both its owned wind farms and third party wind and solar farms.

In recent years, Windlab has transitioned from a pure wind farm developer to a business operating across the full wind farm life cycle. This includes project inception, development, financing, construction, asset management of operating renewable energy projects and investment in Windlab completed developments.

Windlab's full wind farm lifecycle is illustrated in the figure below.

Figure 5: Windlab's project lifecycle



Source: 2019 Half Year Presentation, 13 September 2019.

7.1.5 Windlab's current business operations

Windlab's current business operations include the following:

- development projects: Windlab has a geographically diverse development portfolio of 48 projects. These projects are at various stages of development and represent an estimated total capacity of approximately 8,600 MW. Refer to section 7.3
- ownership and commercial interests in operating assets: Windlab has equity interest in three projects in Australia from which it derives equity distributions and has a commercial interest in South Africa from which it receives ongoing royalty payments. These interests represent a total capacity of approximately 38.8 MW[7]. Refer to section 7.4, and
- asset management of operating wind farms: Windlab performs asset management services for five projects in Australia, with a total capacity under management of approximately 485 MW. Refer to section 7.5.

A summary of Windlab's current business operations is presented in the table below.

Table 4: Windlab's business operations

	Development projects	Ownership and commercial interests	Asset management
Number of projects	48	4	5
Capacity (MW)	8,600	38.8	485

Source: Windlab.

7.1.6 Windlab's priority projects

Windlab is focused on progressing 11 projects to financial close over the short to medium term. These projects cover multiple jurisdictions and equate to approximately 1,900 to 2,300 MW of capacity. A summary of near term priority projects is presented in the table below.

Table 5: Windlab's priority projects

Project	Location	Ownership	Project capacity (MW)	Stage
Australia				
Lakeland	QLD, Australia	100%	70	Offtake & financing
Upper Burdekin	QLD, Australia	100%	400-600	Validation
Victoria Project 1	VIC, Australia	85%	40	Validation
Kennedy Wind Farm Stage 1[1]	QLD, Australia	100%	600-800	Approvals & permitting
Africa				
RSA Project 1	Eastern Cape, RSA	100%	140	Offtake & financing
RSA Project 2	Western Cape, RSA	100%	140	Offtake & financing
RSA Project 3	Western Cape, RSA	100%	140	Offtake & financing
RSA Project 4	Eastern Cape, RSA	100%	82	Offtake & financing
RSA Project 5	Western Cape, RSA	100%	140	Offtake & financing
Miombo Hewani[2]	Njome, Tanzania	75%	100	Offtake & financing
Meru Energy Park	Meru, Kenya	75%	80	Validation

Source: Windlab.
Note 1: Kennedy Wind Farm is estimated to be up to a 1,200 MW project developed in stages. Stage 1 only has been included in the table above.
Note 2: Miombo Hewani is an estimated 300 MW project developped in stages. Stage 1 only has been included above.
RSA: Republic of South Africa.

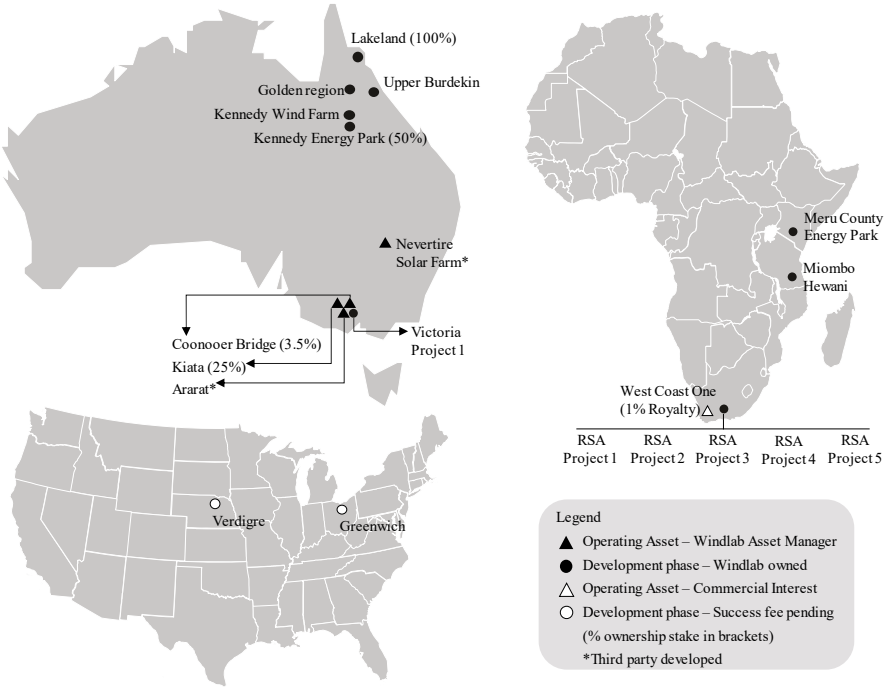
[7] Owned capacity includes equity stakes owned in Kiata, Coonooer Bridge and KEP.

Refer to sections 7.1.3 and 7.1.4 for further details on the different stages of Windlab's development process.

7.1.7 Location of Windlab's projects

The location of Windlab's developments projects, projects under management and equity owned projects are illustrated on the map below.

Figure 6: Windlab's global operations



Source: Windlab.
Note 1: Not all Windlab projects are shown on the above map as the location of early development projects are considered commercially sensitive by the Company.

7.2 Revenue streams

Windlab mainly generates revenue from the following sources:

- development margins from the sale or part sale of development projects at or before financial close
- success fees from previously sold or partnered projects
- asset management fees, and
- equity and other commercial interests in operating projects.

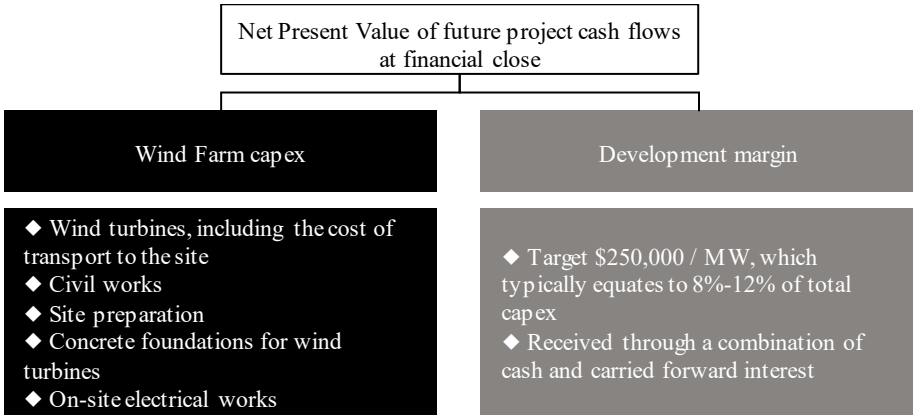
Development margin:

Development margin represents the value of a fully developed project ready for construction and, in general, equates to the net present value of forecast project cash flows at financial close, minus the cost of construction. Windlab targets a development margin in Australia of $250,000 / MW for projects sold at financial close, which typically equates to 8% to 12% of total capital expenditure for the project.

Windlab has historically sought a full exit from projects on or before financial close in exchange for a cash payment for projects in North America, and selected projects in Africa where long term credit risk relating to operation of the wind farm makes an immediate sale more attractive.

For development projects in Australia and selected projects in Africa, Windlab has historically retained equity interests beyond financial close. For these projects, Windlab expects to realise approximately 30% to 40% of the development margin as cash on sale, with the remainder of the value retained by Windlab as an equity interest in the project. Windlab's development margin model is illustrated in the figure below.

Figure 7: Windlab's development margin model



Source: Windlab.

Success fees

Where Windlab sells a project prior to financial close, it typically negotiates payment on completion of certain development milestones.

The total success fees for a project are generally lower than the development premium at financial close, and vary depending on the underlying contractual arrangements and Windlab's ongoing involvement.

Asset management fees

As detailed in section 7.5, Windlab provides asset management services to customers in exchange for a fixed monthly fee. Revenue is recognised on a straight-line basis over the term of each contract.

Equity and other commercial interests in operating projects

As discussed in section 7.4, Windlab holds equity interests in operating projects in Australia and receives royalties from a commercial interest in the West Coast One project in South Africa.

7.3 Development projects

7.3.1 Overview of Windlab's development portfolio

Windlab has a geographically diverse development portfolio of 48 projects. These projects are at various stages of development (described above) and represent an estimated total potential capacity of approximately 8,600 MW.

As at 1 April 2020, Windlab's development portfolio contains approximately 7,265 MW of potential owned capacity across 37 projects and approximately 1,374 MW of potential partnered capacity across 11 projects. A summary of the projects is provided below.

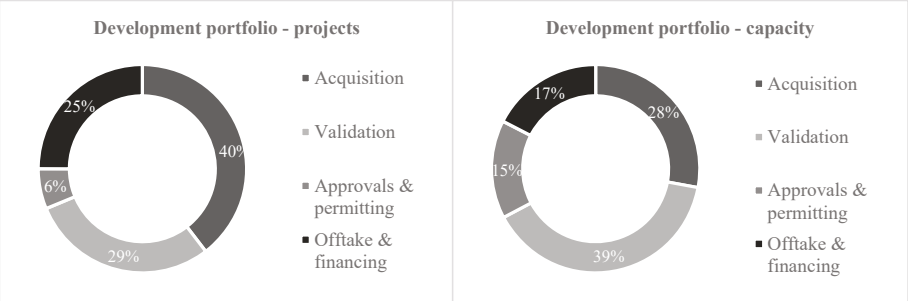
Table 6: Windlab's development portfolio summary

Stage of development			Acquisition	Validation	Approvals & permitting	Offtake & financing	Total
Australia	Owned	MW	480	1,840	1,200	73	**3,593**
		# projects	3	5	1	1	**10**
	Partnered	MW	-	500	-	232	**732**
		# projects	-	3	-	2	**5**
South Africa	Owned	MW	500	250	40	642	**1,432**
		# projects	1	1	1	5	**8**
	Partnered	MW	200	100	-	-	**300**
		# projects	2	1	-	-	**3**
Sub-Saharan Africa	Owned	MW	1,230	260	-	300	**1,790**
		# projects	13	2	-	2	**17**
	Partnered	MW	-	-	-	-	**-**
		# projects	-	-	-	-	**-**
North America	Owned	MW	-	450	-	-	**450**
		# projects	-	2	-	-	**2**
	Partnered	MW	-	-	80	262	**342**
		# projects	-	-	1	2	**3**
Total	**Owned**	**MW**	**2,210**	**2,800**	**1,240**	**1,015**	**7,265**
		# projects	**17**	**10**	**2**	**8**	**37**
	Partnered	**MW**	**200**	**600**	**80**	**494**	**1,374**
		# projects	**2**	**4**	**1**	**4**	**11**

Source: Windlab.

As illustrated in Figure 8, the majority of development projects are at acquisition or validation phase, representing 69% of total projects and 67% of the total potential capacity.

Figure 8: Development portfolio per stage of development



Source: Windlab

7.3.2 Australian development pipeline

Windlab is focused on progressing four projects in Australia (1,100 to 1,300 MW) towards financial close over the short to medium term, as summarised in the table below.

Table 7: Windlab's Australian development pipeline

Project	Location	Development stage	Estimated capacity (MW)	Expected electricity pricing parameters
Lakeland	QLD	Offtake & financing	70	PPA for 50 MW, merchant for remainder
Upper Burdekin	QLD	Validation	400-600	PPA & merchant
Victoria Project 1	VIC	Validation	40	PPA & merchant
Kennedy Wind Farm Stage 1[1]	QLD	Approvals & permitting	600-800	PPA & merchant

Source: Windlab.
Note 1: Kennedy Wind Farm is an estimated 1,200MW project to be developed in stages. Stage 1 only has been included above.

An overview of the key Australian development projects is presented below.

Lakeland

Windlab owns 100% of Lakeland, which is fully approved with an estimated total capacity of approximately 70 MW, located 65 km south-west of Cooktown, Queensland.

In 2018, a potential equity partner withdrew from the project, citing its inability to price risks associated with the project's grid connection, including risk of network losses and risk of curtailment. The project has since been re-optimised from its initial capacity of 100 MW to take into account new network operating requirements, the removal of a proposed solar project as a committed generator and to reduce network losses. The smaller size reduces grid risk and likely the need for additional reactive grid support, reducing cost and timeframe compared to the larger project configuration.

The project will connect to the Ergon Lakeland substation via a 10 kilometre 132kV line. Ergon have completed a detailed scope and cost estimate for the connection. Grid connection for the project in its current configuration is well progressed.

All land required for the project and necessary electrical infrastructure to connect the project to the substation has been secured by way of financeable options-to-lease agreements and easements.

Windlab holds a draft PPA with Flow Power for the sale of 50% of electricity and associated LGCs for a period of 10 years. Windlab has executed a PPA with Transurban for a further 20%. The balance of energy and LGCs are expected to be sold on a merchant basis.

A preferred supplier has been selected to provide EPC and WOM services. Detailed negotiations are well advanced with relevant documentation close to complete. Early works have commenced on certain activities including a transport study, site entrances. Detailed civil and electrical design have also commenced.

Windlab is well progressed with debt and equity funding packages for the project and it is expected that financial close to occur during 2020.

Windlab currently owns 100% of Lakeland. At financial close, local community members will own 1.5%. Windlab will retain a carried interest and the balance will be owned by an incoming equity investor. Consistent with its strategy for Australian development projects, Windlab will provide asset management services to the project through construction and into operations.

Upper Burdekin

Windlab owns 100% of Upper Burdekin which is currently in the validation stage with an estimated total capacity of 400 MW to 600 MW. It is located in North Queensland.

Windlab has completed extensive wind monitoring and assessment activity including onsite wind monitoring since December 2018. A number of environmental studies, feasibility studies and land securement measures have also been completed.

The project is traversed by an existing 275kV transmission link and a review of the grid connection process is underway.

Windlab expects that Upper Burdekin will be the next development portfolio project to reach financial close after Lakeland. In order to reach financial close, the following key milestones must occur:

- receive development approval
- secure PPA for energy offtake
- finalise grid connection approvals
- secure debt and equity funding.

Victoria Project 1

Victoria Project 1 is located northwest of Melbourne. The project is currently in the validation stage and is expected to have a generation capacity of approximately 40 MW via a combination of wind and solar generation possibly combined with battery storage.

The site for Victoria Project 1 is on Crown land with a perpetual license for forestry use. Windlab is working with various parties to implement the required regulatory and legislative changes to the land category to enable wind farm development.

Windlab currently owns 85% of the shares in the Victoria Project 1 special purpose vehicle (SPV), with a local group of residents owning the remaining 15%. Consistent with its strategy for Australian development projects, Windlab plans to sell down its stake at financial close and maintain a carried interest; and provide asset management services for Victoria Project 1 through construction and operations.

Kennedy Wind Farm Stage 1

Windlab owns 100% of Kennedy Wind Farm Stage 1 (Kennedy), which is currently in the permitting and approvals stage. It is located in North Queensland.

While the total site is expected to support up to 1,200 MW of wind energy generation, Windlab expects the project to be developed in stages, with the first stage currently envisaged to be in the range of approximately 600MW to 800 MW.

Windlab has completed extensive wind and solar resource monitoring and assessment. A number of environmental studies are also complete, and an indigenous land use agreement has been finalised.

Given the scale of the project, Kennedy requires a high capacity, high voltage transmission line to connect the project to the National Electricity Market (NEM), which is approximately 250 kilometres away.

The CopperString 2.0 project, is a proposed 950 km, 275kV transmission link between the NEM and the North West Mineral Region at Mount Isa in North-west Queensland. Windlab is of the view that CopperString 2.0 represents the best option for a transmission solution for Kennedy.

In order to reach financial close, the following key milestones must occur:

- receive development approval
- CopperString 2.0 to be developed and constructed
- complete development approval for transmission spur to Hughenden, and finalise grid connection approvals
- secure PPA for energy offtake
- secure debt and equity funding.

7.3.3 South African development pipeline

Windlab has offices in Cape Town, South Africa, where Windlab has successfully completed two projects. Windlab is currently focused on progressing five projects in South Africa, equating to 642 MW of capacity, towards financial close over the short to medium term.

Windlab's South African development pipeline is summarised in the table below.

Table 8: Windlab's South African development pipeline

Project	Location	Development stage	Estimated capacity (MW)	Expected electricity pricing parameters
RSA Project 1	Eastern Cape	Offtake & financing	140	PPA
RSA Project 2	Eastern Cape	Offtake & financing	140	PPA
RSA Project 3	Eastern Cape	Offtake & financing	140	PPA
RSA Project 4	Eastern Cape	Offtake & financing	82	PPA
RSA Project 5	Eastern Cape	Offtake & financing	140	PPA

Source: Windlab.

All of the above mentioned projects are fully approved and ready to be tendered into the next South African Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), a competitive tender process that was launched to facilitate private sector investment into grid-connected renewable energy generation.

The timing for financial close of any of Windlab's South African projects is subject to the commencement of Round 5 of the REIPPPP, Windlab's bid strategy into that round and Windlab bid ultimately being successful.

Refer to the overview of the South African energy market in Appendix 3.

7.3.4 Sub-Saharan African development pipeline

From its office in Cape Town, Windlab expanded into selected Sub-Saharan African countries where there is demand for renewable energy projects due to electricity supply shortages. These are: Tanzania, Mozambique, Zambia, Ethiopia and Kenya, are home to more than 300 million people and constitute the most electricity-poor region in the world.

In February 2019 Eurus subscribed for 25% of the shares in Windlab Africa (Pty) Ltd (WA) for USD$10.0 million. These funds are dedicated to fund projects in Sub-Saharan Africa and the cash held by WA is restricted for use within that entity. WA holds the rights to existing and future development projects in Ethiopia, Kenya, Tanzania, Zambia, Uganda, Rwanda, Burundi and Malawi. Refer to Windlab Group structure in section 7.1.2.

Windlab is currently focused on progressing two projects (180 MW) towards financial close over the short to medium term as summarised in the table below.

Table 9: Windlab's Sub Saharan African development pipeline

Project	Location	Development stage	Estimated capacity (MW)	Expected electricity pricing parameters	Targeted financial close
Miombo Hewani	Tanzania	Offtake & financing	100	PPA	2021
Meru Energy Park	Kenya	Validation	80	PPA	2021

Source: Windlab.
Note: The targeted timetables for financial close are indicative. The development timeframe may be extended or financial close may not be achieved due to risk associated with market conditions, regulatory approvals and other matters outside the control of Windlab as a developer.

Refer to the overview of the Sub-Saharan African energy market in section Appendix 3.

7.4 Ownership interests

Windlab utilises its experience and technical capability to progress its existing portfolio of projects to financial close and retains an equity interest in certain projects.

As summarised in the table below, Windlab receives ongoing equity distributions from its ownership in three operating projects in Australia, and royalty payments from an operating project in South Africa:

Table 10: Windlab's ownership and operational interests

Project	Type	Location	Ownership (%)	Commercial operations	Equity interest	Generation capacity (MW)	FY19 distribution ($'000)
Coonooer Bridge	Wind	VIC, Australia	3.50%	2016	3.5%	20	37.6
Kiata	Wind	VIC, Australia	25%	2018	25%	31	464.5
Kennedy Energy Park[1]	Hybrid[2]	QLD, Australia	50%	subject to delay	50%	60	n/a[3]
West Coast One[4]	Wind	South Africa	N/A	2015	n/a	94	363.5

Source: Windlab.
Note 1: 43 MW of wind, 15 MW of solar panels and 2 MW of battery storage.
Note 2: Wind, Solar and Battery.
Note 3: Commissioning. Once fully commissioned, annual equity distributions are expected to be between $2.5 million to $3.0 million.
Note 4: Windlab holds a royalty agreement for 1% of the project's gross revenue.

An overview of Windlab's projects in which it holds an equity or commercial interest is presented below.

Coonooer Bridge

Windlab has a 3.5% stake in Coonnooer Bridge, the remainder of the project is owned by Eurus (93%) and the local community (3.5%).

The project was awarded a 20 year PPA by the ACT government in January 2015 and reached financial close in April 2015.

In addition to receiving equity distributions, Windlab provides asset management services to this project (refer to section 7.5).

In FY18, Coonooer Bridge had the highest capacity factor (48%) of any wind farm in Australia.

Kiata

Windlab has a 25% stake in Kiata, the remainder of the project is owned by John Laing Group (72.3%) and the local community (2.7%).

The project reached financial close in November 2016.

LGCs generated from the project are sold to the Victorian government under a 5+5 year contract (5 years, with a 5 year renewal option for a further 5 years). Electricity is contracted to Infigen under a 5 year PPA.

Measured across 2018, Kiata was the second best performing wind farm by NCF in Australia, just behind Windlab's other Victorian wind farm, Coonooer Bridge.

In addition to receiving equity distributions, Windlab provides asset management services to this project (refer to section 7.5).

KEP

KEP is owned 50% by Windlab and 50% by Eurus through a non-recourse, project financed special purpose company.

KEP is a hybrid renewable energy project, consisting of wind turbines, solar panels and battery storage system. The location and size of KEP was selected by Windlab due to the region having one of the highest levels of solar irradiance that can be connected into electricity network and possessing a complementary wind resource.

Windlab has entered into a 10 year agreement with the Queensland government owned corporation, CS Energy, for all energy and approximately 50% of the LGCs.

Windlab and CS Energy also entered into a priority offer arrangement which gives CS Energy a first right of offer to negotiate to purchase some, or all, of the electricity LGCs or other green benefits generated by Kennedy Wind Farm Stage 1.

In addition to receiving equity distributions, Windlab provides asset management services to this project (refer to section 7.5).

Delays to commissioning

Construction of the generator was substantially completed in December 2018. However, the project is experiencing delays in completion of its grid connection, generator performance standards (GPS) modelling and subsequent registration as a generator.

On 5 August 2019, Windlab announced KEP had been connected to the electricity grid and electricity generation had commenced. The project has commenced commissioning and testing, and progressively exporting electricity to the network, initially under a 5 MW export limit until the Australian Energy Market Operator (AEMO) registers the project as a generator.

Dispute

KEP has experienced significant delays to registration and operation, which are the subject of a dispute between KEP and the EPC contractor. KEP has claimed liquidated damages and the EPC has claimed payment for variations and extensions of time, which became the subject of an adjudication under the Queensland Building Industry Fairness Act.

The adjudication determination, received in February 2020, required that KEP must pay $0.95 million in milestone payments previously withheld, and $6.6 million in variation claims and delay costs, plus GST.

In addition, the adjudicator denied payment of $19.6 million of the EPC contractor's claims, and reversed KEP's previously invoiced delay liquidated damages (DLDs) and indemnity costs.

On 13 February 2020, Windlab announced that the EPC contractor had requested, and KEP had agreed to, a four week stand-still agreement regarding the adjudication determination and the ongoing contractual dispute.

For the stand-still period, the parties have agreed to stay payments and not commence or prosecute any claims or disputes under the contract, nor challenge the adjudication determination, subject to certain conditions. During the stand-still, the parties will, in good faith, seek an overall commercial resolution of all disputed claims and provide KEP with certainty concerning the outstanding network system registration and commercial operation of the project.

As KEP is a non-recourse special purpose vehicle, Windlab has no direct liability for the adjudicated amount and it not expected that Windlab will advance further funds to Kennedy, nor that Windlab's ownership interest will be diluted.

Windlab recognised a non-cash impairment to the carrying value of its investment in KEP of $14.7 million reflecting uncertainty over the project's completion date and ongoing dispute with the contractor. Refer to FY19 performance section in 7.7 for further details.

On 12 March 2020, Windlab announced that KEP had agreed with its EPC contactor to extend the stand-still agreement regarding the previous adjudication determination and the ongoing contractual dispute until the earlier of 30 April 2020 and the conclusion and execution of a settlement deed by the parties resolving all the disputed claims.

West Coast One

The West Coast One project was developed by Windlab and subsequently sold to Investec in 2008, prior to the project reaching financial close.

Post the transaction, Windlab was responsible for implementing the wind monitoring strategy and undertaking modelling of the wind resource for the period until financial close.

The project is now owned by Aurora Wind Power (77.5%), Kagiso Tiso Holdings (20%) and the local community (2.5%).

Windlab continues to hold a royalty agreement for 1% of the project's gross revenue.

7.5 Asset management

Windlab provides wind and solar management services both to projects which it has developed, and for projects developed and owned by third parties.

Windlab provides services through the construction and operation phases of the wind farm project lifecycle (refer to section 7.1.4)

- during construction: stakeholder and construction management via oversight of the EPC, and
- during operations: electricity market operations, contract management, performance management, on-going community engagement and back office services.

Windlab's intention is to retain asset management rights for all future projects which reach financial close in Australia and Africa, and pursue opportunities to actively grow its asset management portfolio with third party wind and solar projects in Australia.

Commercial terms are negotiated with customers with consideration given to the size of the project, level of on-site monitoring required and the specific service requirements of the customer.

Windlab currently performs asset management services for five projects in Australia, with a total capacity under management of approximately 485 MW. Windlab also expects to provide asset management fees for projects in Australia that are expected to reach financial close in the near term, with a total capacity under management of approximately 70 MW.

7.6 North American operations

Windlab had offices in Plymouth, Michigan from where it manages its North American operations. However, Windlab has not been able to achieve sufficient scale in the North American market and hence plans to exit this market by the end of 2020.

Windlab will continue to hold commercial interests in the Verdigre Wind Farm (Verdigre) development in Nebraska and the Greenwich Wind Farm (Greenwich) development in Ohio, which will be managed remotely from Australia. Windlab continues to own two development assets in Colorado and will call for expressions of interest for their sale.

An overview of the North American operations in which Windlab retains a contractual right to success fees are presented below.

Verdigre Wind Farm

Verdigre is located in Knox County in north-eastern Nebraska and has a total capacity of 230 MW.

In December 2016, Windlab sold the assets of the project to NextEra Energy Inc and Windlab holds a majority (51%) preferred interest in the selling project SPV.

Windlab will receive a success payment equal to US$20,000 / MW for the project upon completion.

Greenwich Wind Farm

Greenwich is located in Ohio's Huron County, 105km southwest of Cleveland. The site is expected to have 25 turbines at 2.4 MW each with a total capacity of 60 MW.

The project has the requisite permits, is awaiting an offer to enable grid access and is in the market seeking a PPA.

In August 2018, Windlab executed an agreement to sell Greenwich to Swift Current Energy LLC (Swift Current). Windlab continues to work with Swift Current, supporting the final stages of development and providing engineering experience. The project was expected to reach financial close in 2020 but has been delayed.

7.7 Historical financial information

Windlab's historical audited consolidated financial performance for each of the financial years ended 31 December 2018 and 31 December 2019 are summarised below.

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Table 11: Windlab's historical consolidated financial performance

For the period ended AUD $'000	Restated 31-Dec-18	31-Dec-19
Asset management fees	2,913.4	3,663.1
Royalties	344.0	363.5
Consulting income	101.0	17.1
Project sales	130.2	-
Revenue from contracts with customers	**3,488.6**	**4,043.7**
Other income	513.8	1,378.1
Share of (loss)/ profit from associate and joint venture	2,072.4	(11,233.2)
Project expenses	(784.3)	(1,566.7)
Loss on loss of control of subsidiary	(3,837.5)	-
Employee expenses	(5,465.9)	(7,562.2)
Administration expenses	(2,505.4)	(2,819.1)
EBITDA	**(6,518.4)**	**(17,759.5)**
Depreciation and amortisation expenses	(136.4)	(351.4)
Finance costs	(55.0)	(200.6)
(Loss) / profit before tax	**(6,709.8)**	**(18,311.5)**
Tax benefit / (expense)	2,760.1	6,614.7
(Loss) / profit for the period	**(3,949.7)**	**(11,696.9)**
Other comprehensive income		
Items that may be reclassified subsequently to the profit or loss		
Exchange differences on translating foreign operations	(207.0)	154.0
Share of other comprehensive income of equity accounted investments	(145.9)	(1,257.5)
Other comprehensive (loss) for the period, net of tax	**(352.8)**	**(1,103.5)**
Total comprehensive (loss) / income for the period, net of tax	**(4,302.5)**	**(12,800.4)**
Total comprehensive (loss) / income for the period attributable to		
Owners of the parent	(4,406.8)	(12,218.2)
Non-controlling interest	104.3	(582.2)
Weighted average number of ordinary shares for basic EPS (m)	67.4	67.7
Share options (m)	-	-
Weighted average number of ordinary shares adjusted	**67.4**	**67.0**
Basic (losses) / earnings per share (cents)	(0.06)	(0.17)
Diluted (losses) / earnings per share (cents)	(0.06)	(0.17)
Metrics		
Recurring revenue[1]	*3,358.4*	*4,043.7*

Source: FY19 annual report and Windlab.
Note 1: Recurring revenue is comprised of: (i) asset management fees, (ii) royalties and (ii) consulting income.
Note 2: The FY17 performance was not included in the table above as the income statement was not restated and hence financial information is not directly comparable to FY18.

Qualified audit opinion

The auditors have issued a qualified audit opinion over the financial statements of Windlab as at 31 December 2019. The qualification relates to Winbdlab's 50% interest in KEP noting numerous uncertainties regarding assumptions in the value in use model used to determine the carrying amount of the cash generating unit owned by KEP. The auditors have been unable to obtain sufficient appropriate audit evidence to support the uncertainties and therefore the value of the investment in KEP (and share of profit and related tax balances) could be materially higher or lower than those reported.

Restatement of financial statements

As a result of a change in accounting policy, Windlab restated its 31 December 2017 and 31 December 2018 balance sheets and its 31 December 2018 income statement.

Windlab re-assessed the accounting for PPAs which are entered into with third parties (electricity retailers) by its associate, Kiata; and Joint Venture, KEP.

Windlab's associate and joint venture recognised income as it was generated and Windlab recognised its share of income through increasing the carrying amount of the investment in associate and joint venture.

As the energy component of the PPAs are net settled with the AEMO, Windlab concluded that the net payable/receivable from the third party offtaker should be accounted for as a derivative financial instrument in the financial statements of the associate or joint venture. As such, the fair value of the instruments are henceforth recorded as a derivative asset or liability in the associate or joint venture.

Kennedy's PPA does not meet the requirements to be designated as a hedge, and is therefore accounted for as a derivative at fair value through profit and loss. This results in the movement in the fair value of the PPA being recorded through the profit or loss statement.

Kiata's PPA meets the criteria as a qualifying hedge relationship, and is accounted for using hedge accounting. This results in the movement in the fair value of the PPA being recorded in other comprehensive income, rather than through the profit or loss statement.

FY19 performance

- Windlab's recurring revenue (which is comprised of asset management fees, royalties, and consulting income) increased by $0.7 million or 20% mainly driven by a $0.7 million or 26% increase in asset management revenues
- Windlab's share of losses or profits from associates and joint ventures decreased by $13.3 million or 642% mainly driven by:
  - an impairment loss of $14.7 million regarding KEP, reflecting Windlabs' 50% share of an impairment loss of $29.4 million recorded in the financial statements of KEP, as a result of the write down of a cash generating unit (CGU) in Kennedy. The CGU consisted of the wind turbine generators, solar photovoltaic (PV) generators and batter energy storage system. The write down is a result of movements in electricity price forecasts, discount rates, as well as uncertainty around the timing of reaching commercial operations and the outcome of the dispute with the EPC contractor
  - a $6.8 million reversal in DLDs (Windlab's 50% share) that were previously recognised as revenue but adjusted following a post-balance date adjudication of the contractor's claim for payment in February 2020
  - a decrease in the carrying value of Kennedy's PPA liability of $12.4 million after tax (Windlab's 50% share: $6.2 million after tax) due to the same movements in forecast electricity prices and discount rates, which has partially offset the impairment loss and the reversal in DLDs.
- No project sales were recorded in FY19 and no projects reached financial close during the period.
- Other income mainly relates to research and development tax incentive income, other grant revenue, dividends, interest revenue and other income. The $0.9 million or 168% increase in

other income is mainly due to: (i) a $0.5 million increase in research and development tax incentive revenue; and (ii) a $0.3 million increase in other grant revenue.

- Project expenses mainly include: (i) inventory realisation costs which is the capitalised cost of the specific project recognised on disposal of a project, (ii) development costs paid throughout a project's lifecycle up to the point of financial close, and (iii) direct employee and contractor costs. Project expenses are capitalised to the extent they relate to specific projects which are at the approval and permitting stage or more progressed. Project expenses increased by $0.8 million or 100% mainly due to increased spending in the East African business, funded by the $10 million investment received from Eurus in early 2019, most of which relates to early stage projects and hence was expensed rather than capitalised.
- Employee costs and administration costs increased by $2.1 million (or 38%) and $0.3 million (or 13%), respectively, mainly due to increased spending in the East African business. Capitalisation rates of both employee time and project costs were lower in FY19 compared to FY18 as Windlab pursued new early stage projects together with existing projects.
- Finance costs increased by $0.2 million or 265% mainly due to the additional $7 million drawn down on the refinanced and fully drawn $10 million debt facility.

FY18 performance

- Windlab's recurring revenue increased by $0.3 million or 11% driven by a $0.6 million or 25% increase in asset management revenues mainly due to Kiata Wind Farm's first year of operation and management fees from KEP.
- Windlab's share of losses or profits from associates and joint ventures increased by $1.8 million or 592% driven by: (i) a strong performance from Kiata Wind Farm for its full year operation as a result of good technical performance and favourable merchant market conditions in the NEM and (ii) profits from KEP resulting from the recognition of accrued DLDs receivable from the project's EPC contractor and payable to the project's PPA counterparty. As explained above, the DLDs revenues were subsequently reversed in FY19.
- Project sales were derived from the sale of the Greenwich in the United States, although the majority of the revenue from this transaction will be recognised when Greenwich reaches financial close. Project sales were significantly lower in FY18 due to the delay in the financial close of Lakeland to 2020. FY17 project sales were mainly derived from the financial close of KEP Phase I and final milestone payments for the Coopers Gap project which achieved greater capacity than originally planned.
- The $0.6 million decrease in other income is mainly due to a reduction in research and development tax incentive income. This was a refundable offset for the period from 1 July 2018 to 31 December 2018 and offset against tax payable in the year to 30 June 2018. In FY17, it was refundable for the entire year.
- The loss on control of subsidiary of $3.8 million is related to the disposal of Windlab's 100% equity interest in Greenwich. All capitalised development costs on sale of the project were recognised, in line with accounting standards. Further consideration is due post financial close consisting of a base payment of US$80,000 / MW and a profit share which is subject to final project economics. The fair value of the consideration as at 31 December 2018 was assessed as nil as there is inherent uncertainty in the timing and amount of this contingent consideration.

- Employment expenses increased by $0.3 million or 5%, mainly due to an increase in share based payment expenses. These were a result of the company's new employee share option plan (ESOP) scheme issuing ESOP options at-the-money rather than out-of-the money under the former ESOP.
- Administration expenses decreased by $0.4 million or 12.9%, mainly due to the inclusion of the IPO costs in 2017.
- Finance costs decreased by $0.9 million or 94%, as a result of a significant decrease in interest expenses, mainly due to the $2.0 million repayment of corporate debt.

7.8 Historical financial position

Windlab's historical audited consolidated financial position as at 31 December 2017, 31 December 2018 and 31 December 2019 are summarised below.

Table 12: Windlab's historical consolidated financial position

As at AUD $'000	Ref	Restated 31-Dec-17	Restated 31-Dec-18	31-Dec-19
Assets				
Current assets				
Cash and cash equivalents	7.8.1	14,231.0	4,682.4	15,539.8
Trade and other receivables	7.8.2	1,559.6	1,475.3	2,574.7
Inventory	7.8.3	6,987.5	5,022.8	5,638.5
Prepayments		506.9	736.3	804.3
Total current assets		**23,285.0**	**11,916.8**	**24,557.3**
Non-current assets				
Property, plant and equipment	7.8.4	339.5	592.2	960.6
Investments accounted for using the equity method - KEP	7.8.5	22,638.6	23,568.4	11,870.6
Investments accounted for using the equity method - Kiata	7.8.5	11,588.6	10,474.6	8,874.6
Investments at fair value	7.8.6	522.4	522.4	522.4
Inventory	7.8.3	5,161.3	4,665.9	6,802.9
Deferred tax asset		-	-	5,079.9
Prepayments		174.3	143.0	132.3
Total non-current assets		**40,424.7**	**39,966.5**	**34,243.2**
Total assets		**63,709.7**	**51,883.3**	**58,800.5**
Liabilities				
Current liabilities				
Trade and other payables	7.8.7	1,799.5	2,415.6	1,912.0
Interest bearing liabilities	7.8.8	2,785.7	0.6	3,195.6
Contract liability		603.2	-	5.3
Income tax payable		3,727.8	577.3	-
Employee benefit liabilities	7.8.9	1,083.8	822.8	1,355.8
Lease liabilities		-	-	189.5
Total current liabilities		**10,000.0**	**3,816.4**	**6,658.2**
Non-current liabilities				
Interest bearing liabilities	7.8.9	2,000.0	3,030.7	6,645.3
Deferred tax liability		1,139.9	1,190.5	-
Employee benefit liabilities	7.8.10	210.8	172.6	110.0
Lease liabilities		-	-	25.0
Total non-current liabilities		**3,350.6**	**4,393.8**	**6,780.3**
Total liabilities		**13,350.7**	**8,210.2**	**13,438.4**
Net assets		**50,359.0**	**43,673.1**	**45,362.1**

Source: FY18 and FY19 annual reports.

7.8.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 3 months or less.

The increase in cash and cash equivalents over FY19 mainly reflects: (i) $1.2 million increase in receipts from customers, offset by additional project spending of $1.5 million, (ii) a $1.0 million decrease in distributions from associates due to a decrease in distributions from Kiata, (iii) $14.0 million (US$10 million) capital raising from the issuance of new equity in WA to Eurus; and (iv) proceeds from borrowings of $10.0 million from refinancing of the senior debt facility.

The decrease in cash and cash equivalents over FY18 mainly reflects: (i) negative operating cash flows as no major project reached financial close during FY18, (ii) a $2.0 million repayment of the corporate debt; offset by (iii) 2.0 million of distributions received from Kiata for its first year of operation.

7.8.2 Trade and other receivables

Trade and other receivables relate to trade receivables, other receivables, research and development tax incentive receivables and GST receivables.

7.8.3 Inventory

Wind farm development projects are classified as inventory and are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, capitalised salaries, borrowing costs and holding costs incurred in acquiring and bringing the inventory to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Project expenses are capitalised to the extent they relate to specific projects which are at the approval and permitting stage or more progressed.

Current inventory is defined as projects intended to be sold within the next 12 months. Non-current inventory is all other inventory not classified as current.

During 2018, Windlab executed a share sale agreement for the sale of Greenwich which resulted in the disposal of inventory of $4.8 million.

Inventory of $4.4 million relating to projects in South Africa was written down to nil in 2016 due to delays in the South African Government's REIPPPP and material uncertainty regarding the timing of realising Windlab's remaining South African projects.

7.8.4 Property, plant and equipment

Plant and equipment principally comprises wind monitoring equipment such as masts and sonic detection and ranging (SODAR) instruments, as well as office equipment.

7.8.5 Investments equity accounted

Investments accounted for using the equity method relate to the following projects:

- KEP (50% interest), which is classified as an investment in joint venture (section 7.4)
- Kiata Wind Farm (25% interest), which is classified as investment in associate (section 7.4).

7.8.6 Investments at fair value

The investment at fair value through other comprehensive income (OCI) relates to the Coonnoer Bridge Wind Farm (3.5% interest).

7.8.7 Trade and other payables

Trade and other payables relate to trade payables, accrued expenses, other current liabilities and GST payables.

7.8.8 Interest bearing liabilities

Windlab holds a corporate debt facility with the Clean Energy Finance Corporation (CEFC). Refer to industry section in Appendix 3 for further details regarding the CEFC.

In June 2019, the terms and tenure of the corporate debt facility with CEFC were amended. Under the amended corporate debt facility, the facility was increased from $3.0 million to $10 million and the maturity date was extended until 16 June 2022. Subject to certain conditions, the facility may be repaid periodically from 30 September 2019 or at maturity.

The revised facility provides Windlab with additional working capital to further develop its Australian portfolio.

The facility is secured by a fixed and floating charge over the assets of Windlab, as well as specific security over key assets and contracts within the Australian and North American business.

Details of Windlab's corporate debt facility are summarised in the table below.

Table 13: Windlab's corporate debt facility

AUD $'000	Total facility	Amount drawn	Maturity	Security
Corporate debt facility with CEFC	10,000	10,000	June 2022	Secured

Source: Windlab.

On 31 March 2020, Windlab announced it had entered into a $20 million subordinated debt facility agreement with the Bidder Consortium.

The key terms of the subordinate debt facility are summarised in the table below.

Table 14: Key terms of the subordinated loan facility

Key term	Description
Limit	$20 million
Interest	15% p.a. until shareholders grant approval, 8% p.a. thereafter, payable to the extent allowed by cash flow, otherwise capitalised
Term	3 years
Repayment	Quarterly from excess cash flow, following repayment of senior principal and interest, and after allowing 12 months working capital Mandatory repayment in full on change of control other than to the Bidder Consortium
Purpose	General corporate purposes of the company or allocation to an operating entity with Lender consent

Source: ASX announcement.

7.8.9 Employee benefit liabilities

Employee benefits relate to annual leave, long service leave and bonus provisions.

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7.9 Statement of cash flows

Windlab's historical audited consolidated statement cash flows for the period ended 31 December 2017, 31 December 2018 and 31 December 2019 are summarised below.

Table 15: Windlab's historical consolidated statement of cash flows

For the period ended AUD $'000	31-Dec-17	31-Dec-18	31-Dec-19
Operating activities			
Receipts from customers	25,152.1	3,943.5	5,122.7
Payments to suppliers and employees	(10,048.4)	(9,586.7)	(9,432.8)
Payments for inventory and projects	(2,483.5)	(3,390.3)	(4,841.4)
Interest received	75.2	63.6	90.3
Tax paid	-	-	(497.2)
Finance costs	(678.1)	(273.9)	(704.0)
Net cash (used in) / from operating activities	**12,017.4**	**(9,243.8)**	**(10,262.4)**
Investing activities			
Purchase of property, plant and equipment	(204.6)	(375.2)	(713.8)
Proceeds from sale of property, plant and equipment	-	1.1	-
Proceeds/ (payments) from security deposits	(3.6)	(110.7)	1.4
Acquisition of investments	(0.7)	-	-
Investments in associates	(29,978.3)	-	-
Dividends from investment	-	63.0	37.6
Distributions from associates	-	2,047.8	1,078.3
Net cash from / (used in) investing activities	**(30,187.1)**	**1,626.0**	**403.6**
Financing activities			
Proceeds from issue of share capital	25,139.2	42.6	14,195.4
Payment of principal portion of lease liabilities	-	-	(191.0)
Transaction costs on issue of shares	(1,371.9)	-	(237.7)
Proceeds from borrowings	-	-	9,779.7
Repayments of borrowings	-	(1,945.2)	(3,000.0)
Net cash from / (used in) financing activities	**23,767.3**	**(1,902.6)**	**20,546.4**
Net change in cash and cash equivalents	**5,597.6**	**(9,520.4)**	**10,687.6**
Cash and cash equivalents at beginning of period	8,593.2	14,231.0	4,682.4
Effects of foreign exchange differences on cash and cash equivalents	40.2	(28.1)	169.8
Cash and cash equivalents at the end of the period	**14,231.0**	**4,682.4**	**156,539.8**

Source: FY18 and FY19 annual reports.

FY19 cash flows

- Windlab generated negative operating cash flows as no major project reached financial close during the period. Net cash used in operating activities increased by $1.1 million or 11% due to: (i) a $1.4 million increase in project spending, mainly in East Africa, (ii) a $0.5 million payment of income tax relating to 30 June 2018, (iii) a $0.4 million increase in interest paid on the $10 million fully drawn corporate debt facility; offset by (iv) a $1.2 million increase in receipts from customers.
- Windlab generated positive investing cash flows mainly due to distributions of $1.0 million received from Kiata. Distributions from Kiata decreased by $1.0 million compared to FY18 due to: (i) a decrease in revenue due to the first full year of operation under Kiata's PPA, (ii) one-off curtailments due to network maintenance and upgrades in Western Victoria; and (iii) reductions in the project's MLF.

- Windlab generated positive financing cash flows due to: (i) a $14.0 million (US$10 million) capital raising from the issuance of new equity in WA to Eurus, (ii) proceeds from borrowings of $10.0 million as a result of the refinancing of the corporate debt facility, offset by (iii) a $3.0 million repayment of the corporate debt facility.

FY18 cash flows

- Windlab generated negative operating cash flows as cash expenditure in relation to development projects was consistent with FY17, however no major project reached financial close during FY18. In FY17, project sales were generated from the financial close of KEP Phase I and final milestone payments for the Coopers Gap project.
- Windlab generated positive investing cash flows mainly due to distributions of $2.0 million received from Kiata for its first year of operation.
- Windlab generated negative financing cash flows mainly due the $2.0 million scheduled repayment of the corporate dent facility to CEFC.

FY17 cash flows

- The $30.0 million investment cash outflow in FY17 mainly related to the $29.7 million cash contribution to KEP in October 2017 when the project achieved financial close for Phase I, with the project progressing from development phase to construction phase.

7.10 Dividend policy

No dividends were paid in FY17, FY18 and FY19. Windlab does not anticipate paying dividends to shareholders for the foreseeable future.

7.11 Share capital and ownership

As at 3 April 2020, Windlab had approximately 68.2 million ordinary shares on issue with substantial shareholders set out in the table below.

Table 16: Windlab substantial shareholders

Substantial shareholder	Number of shares held	Percentage of issued capital
Federation Asset Management Holdings Pty Ltd, held in association with Squadron	12,771,426	18.72%
Lend Lease Ventures Pty Ltd	11,477,728	16.83%
Rhodium Capital Pty Ltd	5,188,519	7.61%
Jencay Capital Pty Ltd	4,502,278	6.60%
Moelis Australia Asset Management	3,969,051	5.82%
Others	30,303,584	43.43%
Total	**68,212,586**	**100.00%**

Source: Windlab.

Director's interests

As at 3 April 2020, the Directors of Windlab held the following ordinary shares, options and warrants:

Table 17: Director's relevant interests

Name	Position	Number of ordinary shares	Number of options	Performance rights	Warrants
Roger Price	Chief Executive Officer	532,765	1,000,000	88,350	932
Charles Macek	Non-Executive Director	30,000	66,000	-	-
Pippa Downes	Non-Executive Director	-	66,000	-	-
Joseph O'Brien	Non-Executive Director	10,000	146,000	-	-

Source: Windlab.

7.12 Performance rights

Pre-IPO employee share option plan

A pre-IPO employee share plan was established prior to Windlab's listing on the ASX in August 2017. Options issued under the plan remain outstanding but no further options may be issued after 30 June 2017. Under the plan, participants were granted options which vest in the following instalments:

- 25% of the options vest one calendar year after the grant date
- the remainder of the options vest on or after the end of each month pro-rata over the subsequent 36 months.

Expiration dates range from 30 June 2021 to 30 June 2022. Options were granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options was determined by the Board on the grant date and detailed in the table below.

A summary of the share options issued pre-IPO is presented in the table below.

Table 18: Share options issued pre-IPO

Number of options	Exercise Price	Expiry date	Number of holders	Consideration per convertible security	Total payment
610,000	$0.50	30/06/2021	10	$0.50	$305,000
624,000	$0.75	30/06/2022	12	$0.25	$156,000
1,234,000			**22**		**$461,000**

Source: Windlab.

Post-IPO employee share option plan

Windlab adopted a new ESOP and new share performance rights plan (PRP) where options and performance rights may be granted to a full-time or part-time employee, a non-executive director, a contractor or a casual employee of Windlab.

Each option entitles the participant to receive on ordinary share in Windlab and may be exercisable on a cashless basis. An option or performance right does not confer any rights to participate in a new issue of shares by Windlab.

A summary of the share options issued post-IPO ESOP is presented in the table below.

Table 19: Share options issued under post-IPO ESO

Number of options	Exercise Price	Expiry date	Number of holders	Consideration per convertible security	Total payment
1,808,000	$2.00	1/12/2022	28	$0.11	$201,050
250,000	$1.65	12/04/2023	1	$0.18	$44,500
670,000	$1.54	30/06/2023	8	$0.21	$141,303
2,728,000			**37**		**$386,853**

Source: Windlab.

A summary of performance rights issued is presented in the table below.

Table 20: Performance rights issued

Number	Consideration per convertible security	Total payment
561,210	$1.00	$561,210
561,210		**$561,210**

Source: Windlab.

Warrants

The Windlab warrants are all unquoted warrants that, on exercise, entitle the holder to one fully paid Windlab Shares with terms as summarised in the table below.

Table 21: Warrants issued

Number of warrants	Exercise price	Expiry date	Consideration per convertible security	Total payment
300,000	$2.00	4/05/2020	$0.0000	-
256,484	$2.00	30/06/2020	$0.0000	-
854,184	$2.00	1/04/2021	$0.0145	$12,386
1,410,668				**$12,386**

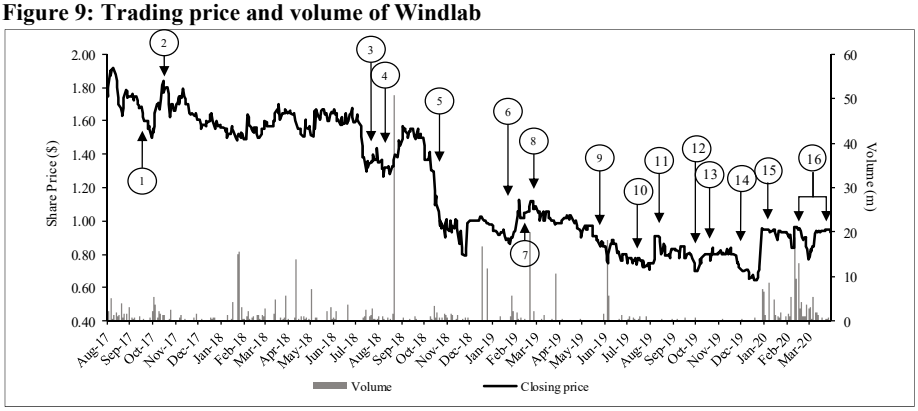
Source: Windlab.

7.13 Windlab share price performance

7.13.1 Recent trading in Windlab shares

The chart below shows Windlab's daily closing share price along with the daily volume of shares traded on the ASX over the period from the date of Windlab's IPO (23 August 2017) to the announcement date of the Indicative Offer (20 January 2020), and for the period subsequent to that date to 22 April 2020.

Figure 9: Trading price and volume of Windlab



Source: IRESS, ASX announcements, Capital IQ, KPMG Corporate Finance Analysis.

Prior to announcement of the Indicative Offer (from IPO date to 17 January 2020)

Prior to the indicative offer by Federation, Windlab's share price displayed a degree of volatility, but generally trended down over the period with a closing high of $1.92 per share on 31 August 2017 and a closing low of $0.65 per share on 9 January 2020. Windlab's shares closed at $0.72 on 17 January 2020, being the last trading day prior to the announcement of the Indicative Offer

ASX announcements made by Windlab identified as being price sensitive during the period include:

1 18 October 2017: Windlab announced that KEP Phase I achieved financial close with construction to begin.

2 6 November 2017: Windlab announced that Kiata completed construction and was connected to the electricity network, and produced both electricity and LGCs.

3 9 August 2018: Windlab announced that it had executed a binding term sheet with Flow Power for the sale of 50 MW of electricity output and associated LGCs from its proposed Lakeland wind farm, for a period of 10 years.

4 24 August 2018: Windlab announced the sale of Greenwich to Swift Current Energy.

5 6 November 2018: Windlab announced that its exclusive investor for Lakeland, InfraRed Capital Partners, withdrew from the project.

6 26 February 2019: Windlab announced that Eurus had subscribed for 25% of the shares in WA for USD$10.0 million.

7 28 February 2019: Windlab released financial results for the year ending 31 December 2018.

8 15 March 2019: Windlab announced an agreement to provide asset management services for the 131.8 MW Nevertire Solar Farm in north-west NSW. This is the first stand-alone third-party owned solar farm in Windlab's asset management portfolio and increased Windlab's assets under management above $1 billion.

9 17 June 2019: Windlab announced amendments to its corporate debt facility with the CEFC increasing the size of the facility to from $3.0 million to $10 million and extending the maturity to June 2022.

Further, within the same announcement, were updates on two key projects. Windlab announced delays in relation to the energisation of the generator at the KEP and that it had received and was reviewing bids for the EPC at the Lakeland.

10 5 August 2019: Windlab announced that the KEP project was connected to the electricity grid and energised.

11 28 August 2019: Windlab release half-year results for period ending 30 June 2019 and, in a separate announcement, declared it had initiated a review of the company's strategic options to better address and improve shareholder value.

12 21 October 2019: Windlab announced that the EPC at KEP had not delivered a functioning GPS model as pursuant to the agreed delivery schedule causing delays in commercial operations of the project into 2020.

13 12 November 2019: Windlab announced that it has entered into a dispute resolution process with the EPC at KEP.

14 18 December 2019: Windlab announced its plans to exit the North American market. Windlab will continue to hold commercial interests in the Verdigre Wind Farm development project in Nebraska and Greenwich but will manage them from Australia.

Post announcement of the Indicative Offer (from announcement date to 22 April 2020)

15 20 January 2020: Windlab announced the indicative proposal from Federation for the remaining shares in Windlab that it did not already own by way of a scheme of arrangement, at an offer price of $1.0 per share in cash. Subsequent announcements confirmed an exclusive due diligence period (and extension) offered to Federation.

As illustrated in the figure above, Windlab's share price increased significantly following the announcement. On the date of the announcement, Windlab's share price increased by 32.6% to close at $0.96, indicating a positive perception of the proposed transaction.

ASX announcements made by Windlab identified as being price sensitive during the post announcement period include (refer to point 16 in the Figure above):

- 7 February 2020: Windlab announced details of the adjudication determination relating to a disputed payment claim between KEP and its EPC contractor. The determination determined that Kennedy must pay $0.9 million in milestone payments previously withheld, and $6.6 million in variation claims and delay costs, plus GST. In addition, the adjudicator denied payment of $19.6 million of the EPC contractor's claims, and reversed KEP's previously invoiced delay liquidated damages (DLDs) and indemnity costs.
- 13 February 2020: Windlab announced that the EPC contractor for KEP had requested the parties enter into a four week stand-still agreement regarding the adjudication determination delivered on 7 February 2020.
- 24 February 2020: Windlab announced that its FY19 financial statements will recognise a non-cash impairment to the carrying value of investments in joint ventures relating to KEP, in the range of $10 million to $20 million.
- 28 February 2020: Windlab released its preliminary financial report for FY19.

- 4 March 2020: Windlab announced the Scheme.
- 12 March 2020: Windlab announced that KEP extended the stand-still agreement with its EPC contractor.
- 31 March 2020: Windlab announced it had entered into a $20 million subordinated debt facility with the Bidder Consortium. On the same date, Windlab released its full audited financial report for FY19.

Since the announcement of the Indicative Offer on 20 January 2020, Windlab shares have traded between $0.77 and $0.98 per share indicating the positive market perception of the Scheme and access to capital through the Loan Facility. Windlab's share price declined to $0.77 on 23 March 2020 which likely reflected macro-economic uncertainty triggered by COVID-19, although it recovered thereafter.

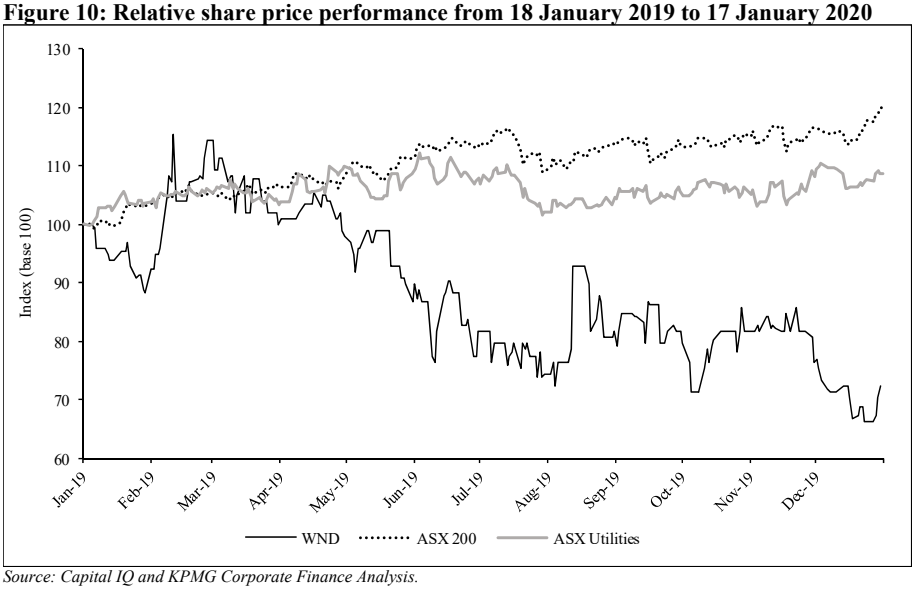
7.13.2 Relative share performance

The performance of Windlab securities (rebased to 100) over the 12 months to 17 January 2020, being the last trading day prior to the announcement date of the Indicative Offer, relative to the S&P/ ASX 200 Industrial Index and the S&P/ ASX Utilities Index is illustrated on the following chart.

Windlab's share price has significantly underperformed the S&P/ ASX 200 Industrial Index and the S&P/ ASX Utilities Index over the 12 months to 17 January 2020, mainly reflecting:

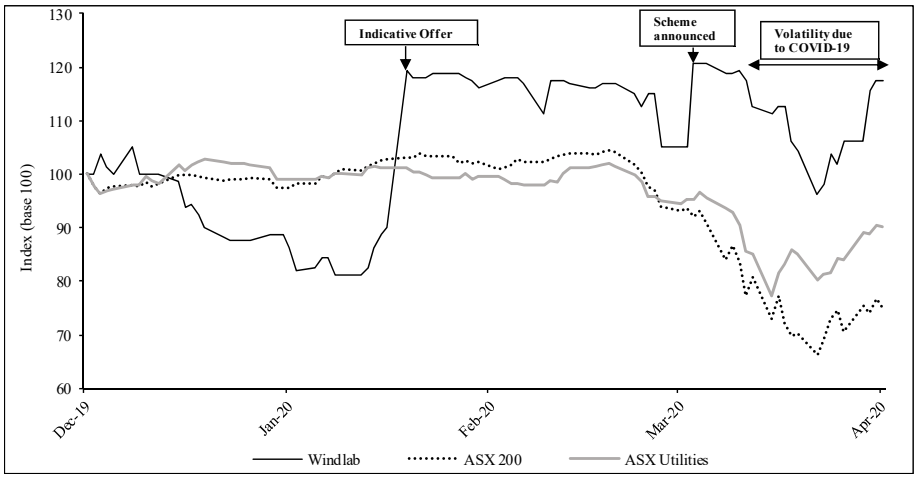
- the delay in the financial close of the Lakeland project
- the delays in completing the grid connection of the KEP and the dispute with the project's EPC contractor regarding payment claims.

Figure 10: Relative share price performance from 18 January 2019 to 17 January 2020



Source: Capital IQ and KPMG Corporate Finance Analysis.

Figure 11: Relative share price performance from Dec 2019 to 3 April 2020



Source: Capital IQ and KPMG Corporate Finance Analysis.

The graph shows the timing of the Indicative Offer, the announcement of the Scheme and the share market volatility and macroeconomic uncertainty arising from COVID-19. Discussion on COVID-19 is contained in Section 3.3 and 3.1.

7.13.3 Trading liquidity

An analysis of the volume of trading in Windlab's shares on the ASX, including the VWAP in the twelve-month period to 17 January 2020, being the last trading day prior to the announcement of the Indicative Offer, is set out in the table below.

Table 22: Trading liquidity in Windlab shares pre-announcement

Period up to and including 17 Jan 2020	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 day	0.70	0.72	0.70	0.02	0.03	0.0%
1 week	0.65	0.72	0.70	0.04	0.05	0.1%
1 month	0.64	0.76	0.68	0.19	0.28	0.4%
3 months	0.64	0.84	0.75	0.66	0.88	1.3%
6 months	0.64	0.91	0.77	1.64	2.14	3.1%
12 months	0.64	1.13	0.89	9.88	11.07	16.3%

Source: IRESS, Capital IQ, FactSet, KPMG Corporate Finance Analysis.
Note: 1 month VWAP is based on 30 calendar days.

Windlab shares exhibited moderate liquidity over the 12 month period to 17 January 2020, with approximately 16.3% of total shares on issue traded, at an average volume of 40,000 shares traded per day, with a daily value of approximately $0.04 million.

An analysis of the volume of trading in Windlab's shares on the ASX subsequent to the date of the announcement, from 21 January 2020 to 22 April 2020, is set out below.

Table 23: Trading liquidity in Windlab shares post-announcement

Period from 21 January 2020 to 22 April 2020 inclusive	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $ millions	Cumulative volume millions	Percentage of issued capital
92 days	0.77	0.98	0.93	13.11	14.08	20.6%

Source: IRESS, Capital IQ.

8 Valuation of Windlab

8.1 Summary

We have assessed the value of Windlab to be in the range of $47.6 million to $70.2 million, which corresponds to a value of $0.68 to $1.00 per Windlab Share. Our range of assessed values reflects 100% ownership of Windlab and therefore incorporates a control premium.

We have assessed the value of Windlab based on a sum-of-the-parts approach, as summarised below.

Table 24: Windlab valuation summary

$ million unless otherwise stated	Section reference	Value range Low	High
Operating assets			
Kiata	8.3.1	15.3	17.0
Coonooer Bridge	8.3.2	0.4	0.5
KEP	8.3.3	14.0	18.0
Late stage developments			
Lakeland	8.4.1	11.5	13.5
Early stage developments			
Australia	8.5.1	7.0	16.5
South Africa	8.5.2	3.1	3.1
Sub-Saharan Africa	8.5.3	1.8	1.8
Asset management contracts	8.6	5.4	5.7
Royalty agreement	8.7	2.5	2.6
Success fees	8.8	3.9	4.0
Value of business assets		**65.0**	**82.6**
Capitalised corporate overheads	8.9	(20.0)	(15.0)
Corporate - other assets/(liabilities)	8.10	(0.1)	(0.1)
Net cash at corporate level[1]	8.11	2.7	2.7
Value of 100% equity of Windlab		**47.6**	**70.2**
Diluted number of Windlab Shares (million)[2]		70.0	70.0
Value per Windlab Share		**0.68**	**1.00**
Value per Windlab Share (mid-point)		**0.84**	

Source: KPMG Corporate Finance Analysis.
Note 1: Cash as at 31 December 2019 includes Windlab's share (75%) of restricted cash of $9.0 million, which is held by Windlab East Africa and restricted for use within that entity.
Note 2: Includes 1.8 million of shares issued to senior management under incentive plans including pre-IPO options and performance rights which will vest in the ordinary course of the Scheme.

The valuation of each of Windlab's value components is set out in Sections 8.3 to 8.11 of this report.

Synergies available to acquirers, such as cost savings through merging operations, are normally a significant factor in justifying their ability to pay a meaningful premium over market prices. In this case, direct synergies available to a number of strategic and financial buyers of Windlab would likely include all (or most) public company costs. Therefore, the valuation assumes that all public company costs are eliminated (refer to Section 8.9).

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%[8] for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of $0.68 to $1.00 per Windlab Share reflects a premium to the closing price of $0.72 (on 19 January 2020, the day prior to the Indicative Offer) of between negative 5.6% to 39.4% and a premium to the one month VWAP of 0.4% to 48.3%. These premiums reflect a wide range, but are within the range of premiums that are typically observed, and are considered reasonable since:

- they reflect the value of advanced projects of the company and follow-on management contracts, and
- they includes cost saving synergies available to a pool of potential purchasers.

8.2 Valuation methodology

8.2.1 Overview

Our valuation of Windlab has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to the majority purchasers, both financial and trade buyers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of maintainable earnings (Capitalised Earnings)
- Discounted cash flow (DCF)
- estimated net proceeds from an orderly realisation of assets (Net Assets)
- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

[8] KPMG Corporate Finance Analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

8.2.2 Selection of methodology

KPMG Corporate Finance's selected valuation methodologies for the component parts of the business are described in the table below.

Table 25: Windlab component parts and methods for assessing value

Component	Comments	Valuation methods
Operating assets	Aggregate value of equity interest in: - Kiata (25%) - Coonooer Bridge (3.5%) - KEP (50%)	DCF Cross-check to MW multiples
Late stage developments	Value of equity interest in Lakeland (100%)	DCF Cross-check to MW multiples
Early stage developments	Aggregate value of development pipeline in: - Australia - South Africa - Sub-Saharan Africa	MW multiple/ Cost
Asset management contracts	Aggregate value of asset management contracts	DCF
Royalty agreement	Value of interest in West Coast One (South Africa)	DCF
Success fees	Value of success fees from sold North American projects: - Verdigre - Greenwich	DCF
Corporate costs	Value of ongoing corporate overheads	Capitalisation of costs
Other assets and liabilities	Net assets on balance sheet not reflected in the above values	Book value at 31 December 2019
Net debt/cash	Sum of interest bearing liabilities and cash	Book value at 31 December 2019

Source: KPMG Corporate Finance Analysis.

A discussion of the rationale for the selection of the valuation methodologies is set out below.

DCF methodology

Operating assets and late stage development assets

DCF was adopted as our primary methodology for each of Windlab's operating assets and late stage developments. This approach allows for analysis of key assumptions and for a range of sensitivities and scenarios to be analysed. The DCF analyses were based on long-term financial models developed by KPMG Corporate Finance having regard to cash flow models provided by Windlab (Cash Flow Models).

KPMG Corporate Finance has undertaken various enquiries in relation to each of the Cash Flow Models, including holding discussions with management in regard to the commercial assumptions underlying the Cash Flow Models and their bases and the mechanics of the models. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions. KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment we have taken into account the following:

- the Cash Flow Models were prepared by Windlab management in conjunction with independent advisors
- the Cash Flow Models reflect the FY20 budget
- the Cash Flow Models are prepared for budgeting and management purposes. We have no reason to believe that there is bias, either positive or negative
- the Cash Flow Models reflect existing or expected funding arrangements that (where applicable) support project development.

Whilst we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the Cash Flow Models, we have in our view made sufficient enquires, including discussing the key assumptions with Management and where considered necessary, have made adjustments to reflect our judgement. We have also had regard to the factors noted in Section 6.3 of this report

Asset management contracts, royalty agreement and success fees

DCF was adopted as our primary methodology for each of Windlab's asset management contracts, royalty agreement and success fees. The DCF analyses were based on financial models developed by KPMG Corporate Finance on the basis of financial information provided by Windlab and a review of the underlying contractual agreements.

KPMG Corporate Finance has undertaken various enquiries in relation to the underlying contractual agreements, including holding discussions with management in regard to the key assumptions underlying their projections and their bases.

We have reviewed the key assumptions in the context of current economic, financial and other conditions. KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have had regard to the factors noted in Section 6.3 of this report.

Capitalised Earnings methodology

The capitalised earnings methodology involves estimating a sustainable level of future earnings for a business (maintainable earnings) and applying an appropriate multiple to those earnings, capitalising them into a value for the business.

A capitalised earnings methodology is challenging in the case of wind energy companies, particularly for those such as Windlab that have exposure to assets under development and hence rely on generating development margins and/or success fees. Their earnings can vary substantially between years depending on whether development projects have reached financial close. As such, this methodology has not been used as a primary approach for any of Windlab's business components. Rather, this methodology has been used to capitalise residual corporate overheads.

Rules of thumb – MW multiples

MW multiple is a variation of the capitalised earnings method, and is commonly used for early stage renewable generation assets. This method applies a $ per MW multiple to the expected capacity of the project, to derive an enterprise value for the project. This method is appropriate where there is sufficient transaction and trading evidence available from which to calculate meaningful multiples.

It is important that MW multiples are sourced from transactions involving projects at a comparable stage of development as MW multiples can increase significantly as key development milestones are achieved.

This methodology has been used as a cross-check to the valuation of Windlab's operating assets and late stage developments and as the primary methodology in valuing certain early stage developments.

Cost approach

A cost based or net asset methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business.

The cost methodology recognises that there is value in projects that have advanced along the development lifecycle through the actions or steps it has undertaken through to the valuation date.

The cost methodology has been used as a primary methodology in valuing certain early stage developments.

8.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Windlab and each of Windlab's underling value components and, therefore, our valuation is inclusive of a premium for control. More specifically:

- the DCF methodology incorporates a control premium as it is based on 100% of the cash flows generated by the underlying assets
- in valuing early stage developments, we have used comparable control transactions and, therefore, application of metrics based on these transactions results in a control value
- we have specifically considered a premium for control when assessing our capitalised earnings based cross-check. Multiples applied in a capitalised earnings methodology are generally based on data from listed companies and recent transactions in a comparable industry, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

  The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected, and

- our valuation includes the additional value resulting from estimated corporate cost savings that would generally be available to the majority purchasers.

8.3 Valuation of operating assets

8.3.1 Kiata

As summarised in the table below, KPMG Corporate Finance has assessed the value of Windlab's 25% interest in the equity of Kiata to be in the range of $15.3 million to $17.0 million, with an implied value of MW multiple of 3.3 times to 3.5 times.

Table 26: Kiata summary of value

	Value range	
$millions	**Low**	**High**
Value of 100% interest in Kiata	61.4	68.0
Kiata's net debt[1]	39.8	39.8
Enterprise value of Kiata	**101.2**	**107.8**
Generation capacity (MW)	31.0	31.0
Implied MW multiple	3.3x	3.5x
Value of Windlab's 25% interest in Kiata	**15.3**	**17.0**

Source: KPMG Corporate Finance Analysis.
Note1: Net debt is calculated as the sum of debt of $42.5 million less cash of $2.7 million as at 31 December 2019.

In assessing the value of Windlab's 25% equity interest in Kiata, KPMG Corporate Finance has adopted a DCF as the primary method which has been cross-checked using MW multiples.

Table 27: Kiata DCF assumptions

Assumption	Discussion
Forecast post-tax equity distributions	Cash flow model
DCF period	22.8 years to 31 December 2042
PPA counterparty	Infigen
Corporate Tax rate	30%
Franking credit utilisation rate	80.0%
Cost of equity (ke)	7.5% to 8.5% (Appendix7)

Source: KPMG Corporate Finance Analysis.

Key assumptions

In undertaking the DCF analysis, we have considered the following key assumptions:

- ***project life:*** wind turbines typically have a design life of 25 to 30 years. While wind turbines may operate beyond their design life, a decision on lifetime extension may require significant capital expenditure. The Cash Flow Model is based on a useful life of 25 years. At this point, it is assumed that the provision for site decommissioning costs is equal to the residual value of the wind farm assets, which are comprised predominantly of the wind turbines.
- ***electricity generation volumes:*** generation volume assumptions are based on P50 energy assessments of the wind generation sourced from an independent third party. Annual energy production is initially assumed as 134 GWh per annum (net of loss factors) with declines in forward production periods based on expected energy yield reductions attributable to the aging of the plant.
- ***loss factors:*** loss factors are multipliers which are used to scale energy generation volumes to account for losses in the transmission (MLF factor) and distribution (DLF Factor) networks. The cash flows are based on the actual loss factors published by the AEMO for

2020 and 2021 and forecast loss factors for future periods based on advice from an independent third party.

- ***electricity prices and PPA:*** Kiata's generation output is contracted under a PPA with Infigen until 2022. Kiata's generation output is exposed to wholesale electricity prices in the NEM beyond 2022. Energy pricing assumptions used in the Cash Flow Model have been sourced from independent electricity pricing forecasts which takes into account changes in industry wide capacity, carbon pricing, regulatory schemes, market demand and long-run marginal cost of new generation.
- ***LGC prices:*** Kiata's LGCs are contracted with the Victorian government under a 5 year contract (with a 5 year renewable option). Similar to uncontracted electricity revenue, a portion of Kiata' generation output is exposed to merchant LGC prices post 2027. Uncontracted LGC price forecast have been assumed with reference to curves provided by the same technical expert used in referencing electricity price forecasts. Given anticipated new renewable generation that will be built to meet Australia's renewable energy targets, there is a high degree of uncertainty surrounding LGC prices to 2030, when the renewable energy target (RET) scheme ends. The Cash Flow Model assumes a $10 real price from 2027 and $0 beyond 2030.
- ***operating costs:*** operating costs mainly include turbine maintenance costs, asset management expenses, insurance expenses, land lease royalties and other expenses. Assumed costs in the Cash Flow Model are mainly based on the established WOM (warranty, operational and maintenance) and asset management agreements, with escalation in line with the agreed contracts.
- ***capital expenditure:*** minimal capex is forecast to be incurred over the project lifespan as the WOM contract is inclusive of all costs.

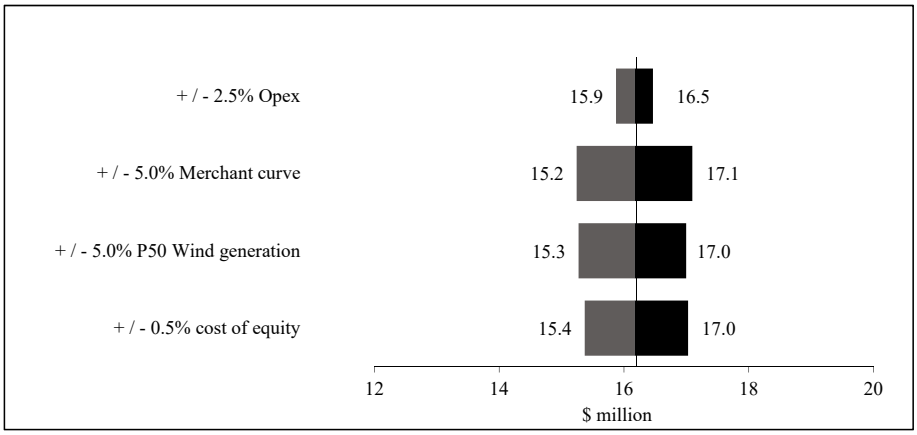
Sensitivity analysis

KPMG Corporate Finance has assessed the sensitivity of Kiata's mid-point equity value of $16.2 million to changes in the following variables:

- cost of equity: +/- 0.5%
- P50 wind generation: +/- 5.0%
- merchant curve: +/- 5.0%
- operating expenditure (opex): +/- 2.5%.

The output of this sensitivity analysis is summarised below:

Figure 12: Kiata's sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of Kiata's mid-point equity value outcomes to individual movements in certain assumptions. The analysis indicates that:

- the equity value outcomes are reasonably sensitive to changes in the cost of equity (+ 5.3% / - 4.9% change in equity value)
- the equity value outcomes are reasonably sensitive to changes in the wind generation profile (+ 5.1% / - 5.6% change in equity value). This is to be expected since changes in wind generation directly impact contracted and uncontracted revenue, earnings and cash flows
- the equity value outcomes are reasonably sensitive to changes in the merchant curve (+ 5.7% / - 5.7% change in equity value). This is to be expected since Kiata's revenue is mostly uncontracted with greater merchant exposure beyond 2022
- the equity value outcomes are not particularly sensitive to movements in operating expenditure (+ 1.8% / - 1.8% change in equity value), with operating expenses representing approximately 25% of revenue.

The analysis above show that the equity value of Kiata is reasonably sensitive to changes in the cost of equity, the forecast wind production volumes and merchant energy prices.

Cross-check

Transaction evidence

The multiples implied by the DCF analysis have been compared to MW multiples of transactions involving selected operating wind farms in Australia. These multiples are set out in detail in Appendix 6.

In relation to the transaction evidence, the following is relevant:

- certain factors influence the range of MW multiples attributed to operating projects including:

- the NCF or generation efficiency of the project: projects with a high NCF tend to have higher MW multiples
- the length of the PPA: there has been a shift in the energy market away from longer term PPAs towards shorter arrangements of approximately 5 years. Hence, projects which have secured long term PPAs (above 5 years) tend to transact on higher MW multiples
- the PPA pricing: projects that have secured higher prices, tend to transact on higher MW multiples.

- recent transactions involving operating wind farms generally occurred at multiples of MW in the range of 1.1 to 3.3 times, with a mean and median of 2.4 times and 2.5 times, respectively
- transaction multiples have decreased in recent years, likely reflecting the weaker investor appetite for wind farm assets and recent challenges in the wind farm industry (i.e. grid connection issues, decline in electricity prices, decline in MLF factors and delays faced by large development projects). The most recent transactions occurred in the range of 1.1 to 1.7 times.

Kiata's implied MW multiples of 3.3 times to 3.5 times are above the mean and median of recent transactions of 2.4 times and 2.5 times and above the MW multiples of the most recent transactions (post July 2016) of 1.1 times to 1.7 times. This reflects Kiata's high NCF of approximately 48%, compared to the average NCF for Australian wind farms of approximately 35%[9] and its relatively long remaining project life (22 years).

Sharemarket evidence

Sharemarket evidence for listed wind farm companies is set out in Appendix 5.

In relation to comparable companies, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- the MW multiples include energy generated by different renewable sources, such as wind, has electricity, solar and hydro
- Australian and New Zealand renewable energy companies have MW multiples in the range of 0.5 to 6.0 times, with a mean and median of 2.8 times and 3.2 times, respectively
- international wind energy companies have MW multiples in the range of 0.5 to 9.5 times, with a mean and median of 2.8 times and 2.1 times, respectively
- Tilt Renewables and Infigen Energy are the most comparable companies to Windlab given their focus on wind energy and their development exposure. Tilt Renewables and Infigen Energy have MW multiples of 3.2 times and 1.8 times, respectively. Other Australian and New Zealand companies such as Meridian and Infratil trade at higher multiples given the diversified nature of their product offering.

Kiata's implied MW multiples of 3.3 times to 3.5 times are higher than the mean and median of MW multiples of Australian and New Zealand comparable companies of 2.8 times to 3.2 times and are consistent with Tilt Renewables' MW multiple of 3.3 times.

[9] As per AEMO, typical capacity factors for wind farms range from 27% to 40%.

8.3.2 Coonooer Bridge

As summarised in the table below, KPMG Corporate Finance has assessed the value of Windlab's 3.5% interest in the equity of Coonooer Bridge to be in the range of $0.4 million to $0.5 million, with an implied value of MW multiple of 2.1 times to 2.2 times.

Table 28: Coonooer Bridge summary of value

	Value range	
$millions	**Low**	**High**
Value of 100% interest in Coonooer Bridge	12.8	13.7
Coonooer Bridge's net debt[1]	30.2	30.2
Enterprise value of Coonooer Bridge	**43.0**	**43.9**
Generation capacity (MW)	20.0	20.0
Implied MW multiple	2.1x	2.2x
Value of Windlab's 3.5% interest in Coonooer Bridge	**0.4**	**0.5**

Source: KPMG Corporate Finance Analysis.
Note 1: Net debt is calculated as the sum of debt of $31.9 million less cash of $1.8 million as at 31 December 2019.

In assessing the value of Windlab's 3.5% equity interest in Coonooer Bridge, KPMG Corporate Finance has adopted DCF as the primary method which has been cross-checked using MW multiples.

Key assumptions

The table below summarises the key assumptions used to forecast Coonooer Bridge cash flows.

Table 29: Coonooer Bridge DCF assumptions

Assumption	Discussion
Forecast post-tax equity distributions	Budget for FY20 to FY24 and extrapolation at the Australian forecast inflation rate
Inflation rate	2.50%
DCF period	15.8 years until 31 December 2035
PPA counterparty	ACT Government
Corporate tax rate	30%
Franking credit utilisation rate	80.0%
Cost of equity (ke)	7.0% to 8.0% (Appendix 7)

Source: KPMG Corporate Finance Analysis.

The gearing profile of a wind farm changes over the life of the asset. The gearing level is at its highest during construction phase as the debt is fully drawn down to finance construction costs and equity rates of return reflect underlying construction and ramp-up risks. The gearing level is expected to decrease over the life of the asset as the debt is amortised and equity rates of return reduce to reflect the risk profile of an operating wind farm.

Coonooer's high level of gearing reflects the fact that the project reached financial close relatively recently (April 2015) and is still in its first years of commercial operation (started in April 2016).

Cross-check

Transaction evidence

The MW multiples implied by the DCF analysis have been compared to MW multiples of transactions involving selected operating wind farms in Australia. These multiples are discussed above and set out in detail in Appendix 6.

Also refer to section 8.3.1. for the detail of the factors that are reflected within MW multiples (i.e. NCF, PPA length and PPA pricing).

Coonooer Bridge's implied MW multiples of 2.1 to 2.2 times are consistent with the mean and median of recent transactions of 2.4 times and 2.5 times and is above the MW multiples of the most recent transactions (post July 2016) of 1.1. times to 1.7 times. This reflects Coonooer's high NCF of approximately 48%, compared to the average NCF for Australian wind farms of approximately 35%[10] and its relatively long remaining economic life (15 years).

Sharemarket evidence

Sharemarket evidence for listed wind farm companies is discussed above and set out in Appendix 5.

Coonooer Bridge's implied MW multiples of 2.1 times to 2.2 times are at the lower end of the observed share market evidence (mean and median of 2.8 times to 3.2 times) but consistent with the range of MW multiples of its most comparable companies.

8.3.3 KEP

As summarised in the table below, KPMG Corporate Finance has assessed the value of Windlab's 50% interest in the equity of KEP to be in the range of $14.0 million to $18.0 million, with an implied value of MW multiple of 2.2 times to 2.3 times. This is the outcome of base case and scenario analysis that is discussed below.

Table 30: KEP summary of value (Selected value)

	Value range	
$millions	**Low**	**High**
Value of 100% interest in KEP	28.0	36.0
KEP's net debt[1]	103.1	103.1
Enterprise value of KEP	**131.1**	**139.1**
Generation capacity (MW)	60.0	60.0
Implied $/MW	2.2x	2.3x
Value of Windlab's 50% interest in KEP	**14.0**	**18.0**

Source: KPMG Corporate Finance Analysis.
Note 1: Net debt comprises the sum of the CEFC debt of $85.1 million and the ARENA debt of $18.0 million as at 31 December 2019

In assessing the value of Windlab's 50% equity interest in KEP, KPMG Corporate Finance has adopted DCF as the primary method which has been cross-checked using MW multiples .

Table 31: KEP DCF assumptions

Assumption	Discussion
Forecast post-tax equity distributions	Cash flow model
DCF period	25.8 years to 31 December 2045
PPA counterparty	CS Energy
Corporate Tax rate	30%
Franking credit utilisation rate	80.0%
Cost of equity (ke) – Base case	9.0% to 10.0% (Appendix 7)

Source: KPMG Corporate Finance Analysis.

[10] As per AEMO, typical capacity factors for wind farms range from 27% to 40%.

Key assumptions

In undertaking the DCF analysis, we have considered the following key assumptions (Base Case):

- ***project life:*** the Cash Flow Model is based on a useful life of 25 years, which is consistent with the typical design life of wind turbines of 25 to 30 years. At this point, it is assumed that the provision for site decommissioning costs is equal to the residual value of the wind farm assets, which are comprised predominantly of the wind turbines.
- ***construction completion date:*** we have assumed a 3 month delay in the construction completion date when performing our DCF analysis given delays in completion (including any impact of COVID-19) and delays in finalising the GPS modelling.
- ***electricity generation volumes:*** generation volume assumptions are based on P50 energy assessments of the wind generation sourced from an independent third party. Annual energy production is initially assumed as 214 GWh per annum (net of loss factors) with declines in forward production periods based on the expected energy yield reductions attributable to the aging of the wind turbines.
- ***loss factors:*** The cash flows are based on the actual loss factors published by the AEMO for 2020 and 2021, and forecast loss factors for future periods based on independent advice.
- ***electricity prices and PPA:*** 100% of KEP's generation output is contracted under a PPA with CS Energy until 2028. Post 2028, KEPs generation output is exposed to wholesale electricity prices in the NEM. Energy pricing assumptions used in the Cash Flow Model have been sourced from independent electricity pricing forecasts which take into account changes in industry wide capacity, carbon pricing, regulatory schemes, market demand and long-run marginal cost of new generation.
- ***LGC prices:*** 50% of KEP's LGCs are contracted with CS Energy under a 10 year PPA. Similar to uncontracted electricity revenue, KEP is exposed to merchant LGC prices with increasing exposure beyond 2028. Uncontracted LGC price forecast have been assumed with reference to curves provided by the same technical expert used in referencing electricity price forecasts. Given anticipated new renewable generation that will be built to meet Australia's renewable energy targets, there is a high degree of uncertainty surrounding LGC prices to 2030, when the RET scheme ends. The Cash Flow Model assumes a $14 to $17 real price from 2022 to 2031 and $0 beyond 2031.
- ***operating costs:*** operating costs mainly include turbine maintenance costs, asset management expenses, insurance expenses, land lease royalties and other expenses. Assumed costs in the Cash Flow Model are mainly based on the established WOM and asset management agreements, with escalation in line with the agreed contracts.
- ***capital expenditure:*** the Cash Flow Model assumes total construction costs of approximately $170 million and additional costs to achieve full commercial operations. Minimal capex is forecast over the project lifespan as the WOM contract is inclusive of all costs.
- ***delay liquidated damages (DLDs) and adjudication costs:*** assumptions are consistent with the current adjudication (refer to Section 7.4 for further details).
- ***gearing profile***: KEP's high level of gearing reflects the construction phase of the project and is expected to decrease as the debt is amortised over time.

As summarised in the table below, KPMG Corporate Finance has assessed the Base Case value of Windlab's 50% interest in the equity of KEP to be in the range of $12.9 million to $16.5 million, with an implied value of MW multiple of 2.1 times to 2.3 times.

Table 32: KEP summary of value (Base Case)

	Value range	
$millions	**Low**	**High**
Value of 100% interest in KEP	25.8	33.0
KEP's net debt	103.1	103.1
Enterprise value of KEP	**128.9**	**136.1**
Generation capacity (MW)	60.0	60.0
Implied $/MW	2.1x	2.3x
Value of Windlab's 50% interest in KEP	**12.9**	**16.5**

Source: KPMG Corporate Finance Analysis.

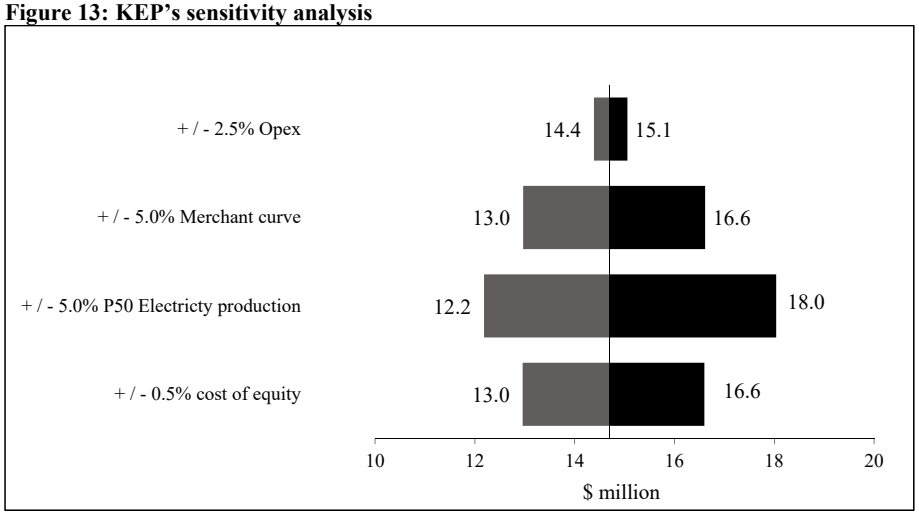
Sensitivity analysis

KPMG Corporate Finance has assessed the sensitivity of KEP's mid-point equity value of $14.7 million (Base Case) to changes in the following variables:

- cost of equity: +/- 0.5%
- P50 wind generation: +/- 5.0%
- merchant curve: +/- 5.0%
- operating expenditure (opex): +/- 2.5%.

The output of this sensitivity analysis is summarised below:

Figure 13: KEP's sensitivity analysis



Source: KPMG Corporate Finance Analysis.

The chart above highlights the sensitivity of KEP's mid-point equity value outcomes to individual movements in certain assumptions. The analysis indicates that:

- the equity value outcomes are sensitive to changes in the cost of equity (+ 12.9% / - 11.9% change in equity value)

- the equity value outcomes are sensitive to changes in the electricity generation profile (+ 22.7% / - 17.1% change in equity value). This is to be expected since changes in wind and solar generation directly impact contracted and uncontracted revenue, earnings and cash flows
- the equity value outcomes are reasonably sensitive to changes in the merchant curve (+ 13.0% / - 11.8% change in equity value). This is to be expected since KEP's revenue is fully uncontracted beyond 2028
- the equity value outcomes are not particularly sensitive to movements in operating expenditure (+ 2.4% / - 2.1% change in equity value), with operating expenses representing approximately 20% of revenue.

The analysis above show that the equity value of KEP is sensitive to changes in the cost of equity, the forecast wind and solar production volumes and merchant energy prices.

Scenario analysis

KPMG Corporate Finance has developed a range of scenarios for KEP in order to illustrate the impact on value of potential changes in key variables. It should also be noted that there is a wide range of other potential outcomes for each variable and even more combinations of those outcomes. KPMG Corporate Finance has developed the following scenarios.

Table 33: KEP scenario analysis

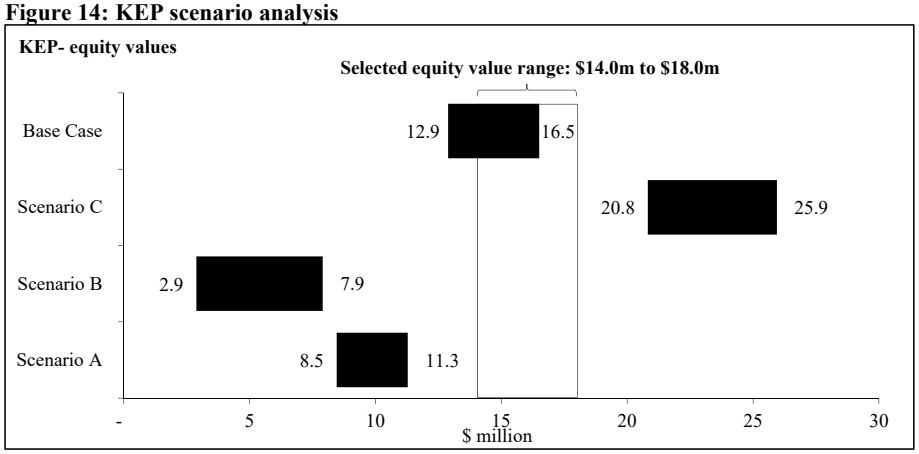
Scenario	Description	Cost of equity
Base Case	Base Case assumptions as set out in previous pages.	9.0% – 10.0%
Scenario A	Downside scenario 1: Base case scenario with a higher cost of equity to account for a total contingency allowance of $10 million to cater for transformer remediation costs, 3 month delay costs, legal costs and re-work costs.	10.5% - 11.5%
Scenario B	Downside scenario 2: Scenario where a third party is appointed to complete KEP and it operates as a fully merchant generator, including resizing of debt. Includes a probability adjusted contingency allowance to cater for both costs and potential recoveries.	9.0% - 10.0%
Scenario C	Upside scenario: Base case scenario with a lower cost of equity reflecting KEP completing grid connection, GPS modelling and commercial operations from mid-2020.	7.0% - 8.0%

Source: KPMG Corporate Finance Analysis.

Summary of KEP scenarios

The range of values for Windlab's 50% equity interest for each scenario is illustrated in the following chart.

Figure 14: KEP scenario analysis



Source: KPMG Corporate Finance Analysis.

Analysis of the scenarios above indicates both upside and downside risk reflecting the following:

- Scenario A (Downside scenario 1) is a relatively conservative scenario as it assumes that KEP will bear 100% of the $10 million contingency allowance, noting that some of these costs might not be incurred or could be offset by potential upsides such as DLD recoveries, reimbursement costs from EPC contractor, civil damages or variations in amounts per final adjudication.
- Scenario B (Downside scenario 2) reflects a worst case scenario where KEP is managed by a third party on a fully merchant basis and hence results in a substantially lower equity value. Based on our understanding of the project status, the likelihood of this scenario occurring is considered to be low.
- Scenario C reflects significant potential upside in the event that KEP's technical and commercial issues are resolved in a timely manner and that the project starts operating in mid-2020.

As such, KPMG Corporate Finance has selected an equity value for KEP to be in the range of $14.0 million and $18 million. This range overlaps the Base Case and is skewed to the upside based on our understanding of the risks of the project, the stand still arrangement with the EPC contractor and our understanding of the priority and intent of all parties to successfully complete the project as soon as possible.

The range does not capture Scenario B as we consider this scenario to be a worst case scenario. On this basis, we consider the selected value range appropriately takes into consideration the risks inherent to the KEP project.

Comparison to book value of Windlab's investment in KEP

We note that the written down book value of Windlab's joint investment in KEP at 31 December 2019 of $11.9 million is below the low end of our selected range of value. This is mainly due to the following:

- the analysis performed to assess the recoverable amount of KEP was based on an enterprise level value in use model under the Australian accounting standards

- KEP's recoverable amount reflects a combination of accounting standards including a DCF on a fully merchant basis and separate derivative for the PPA
- the discount rate applied to cash flows is a WACC and includes a specific risk premium for contingency allowance for additional costs
- franking credits are excluded from the valuation, consistent with the context and methodology.

Cross-check

Transaction evidence

The multiples implied by the DCF analysis have been compared to MW multiples of transactions involving selected operating wind farms in Australia. These multiples are discussed above and summarised are set out in detail in Appendix 6.

KEP's implied MW multiples of 2.2 times to 2.3 times are consistent with the mean and median of recent transactions of 2.4 times and 2.5 times and above MW multiples of the most recent transactions (post July 2016) of 1.1.times to 1.7 times, potentially reflecting KEP's long term PPA of 10 years. There has been a shift in the energy market away from long term PPAs towards shorter arrangements of approximately 5 years. Consequently, this makes KEP's PPA a valuable component of its underlying business and reduces risks for its investors.

KEP's implied MW multiple of 2.2 times to 2.3 times can be compared to the sale of Stockyard Hill wind Farm (530 MW sold during construction) which indicated a MW multiple of 2.1 times (refer to Appendix 6).

On this basis the valuation of KEP is reasonable.

Sharemarket evidence

Sharemarket evidence for listed wind farm companies is discussed above and set out in Appendix 5.

KEP's implied MW multiples of 2.2 times to 2.3 times are at the lower end of the observed share market evidence (mean and median of 2.8 times to 3.2 times) and lower than Tilt Renewables' MW multiples, potentially reflecting KEP's development stage and uncertainty with the project.

8.4 Valuation of late stage developments

8.4.1 Lakeland

Information on Lakeland is outlined in Section 7.3.2.

As summarised in the table below, KPMG Corporate Finance has assessed the project value of Lakeland to be in the range of $11.5 million to $13.5 million, with an implied value of MW multiple of 0.16 times to 0.19 times.

Table 34: Lakeland summary of value

	Value range	
$millions	**Low**	**High**
Estimated development fee for Lakeland ($m)	**11.5**	**13.5**
Generation capacity (MW)	70.0	70.0
Implied development margin $/MW	0.16x	0.19x

Source: KPMG Corporate Finance Analysis.

DCF analysis

In assessing the value of Windlab's equity interest in Lakeland, KPMG Corporate Finance has adopted DCF as the primary method which has been cross-checked using MW multiples.

Table 35: Lakeland DCF assumptions

Assumption	Discussion
Forecast post-tax equity distributions	Cash flow model
DCF period	31.8 years to 31 December 2051
PPA counterparty	Flow Power and Transurban
Corporate Tax rate	30%
Risk weighting	Judgemental risk weighting of 50% to reflect the risk of the project reaching financial close and uncertainty regarding the timing thereof
Cost of equity (ke)	11.0% to 12.0% (Appendix 7)

Source: KPMG Corporate Finance Analysis.

Key assumptions

The table below summarises the key assumptions used to value Lakeland's future cash flows.

- ***project life:*** the Cash Flow Model is based on a useful life of 30 years. At this point, it is assumed that the provision for site decommissioning costs is equal to the residual value of the wind farm assets, which are comprised predominantly of the wind turbines
- ***construction completion date:*** the Cash flow model assumes the construction will be completed in December 2021
- ***electricity generation volumes:*** generation volume assumptions are based on P50 energy assessments of the wind generation sourced from an independent advisor. Annual energy production is initially assumed as 318 GWh per annum (net of loss factors) with declines in forward production periods applied based on the independent advisor's views on expected energy yield reductions attributable to the aging of the wind turbines
- ***loss factors:*** the cash flows are based on the MLF and DLF factors forecast by the independent advisor
- ***electricity prices and PPA:*** 70% of Lakeland's generation output is contracted under a PPA until 2030. The remaining 30% of generation output is exposed to wholesale electricity prices in the NEM with increasing exposure beyond 2030. Energy pricing assumptions used in the Cash Flow Model have been sourced from independent electricity pricing forecasts.
- ***LGC prices:*** 70% of Lakeland's LGCs are contracted under a PPA until 2030. Similar to uncontracted electricity revenue, a portion of Lakeland's generation output is exposed to merchant LGC prices post 2030. Uncontracted LGC price forecast have been assumed with reference to curves provided by the same independent advisor used in referencing electricity price forecasts. The Cash Flow Model assumes a $9 real price from 2023 and $0 beyond 2031
- ***operating costs:*** operating costs mainly include turbine maintenance costs, asset management expenses, land lease royalties and other expenses. Assumed costs in the Cash Flow Model are mainly based on currently drafted contract terms for the WOM and asset management agreements, increasing at an escalation factor of 2.5% per annum in line with the forecast Australian inflation rate
- ***capital expenditure:*** the Cash Flow Model assumes total construction costs of $190 million and minimal capital expenditure required over the project lifespan as the WOM contract is inclusive of all costs

- ***cash development margin and carried interest:*** Windlab typically receives a development margin through a combination of cash and carried interest. The Cash Flow Model assumes that Windlab retains a minority carried equity interest in the Lakeland project.

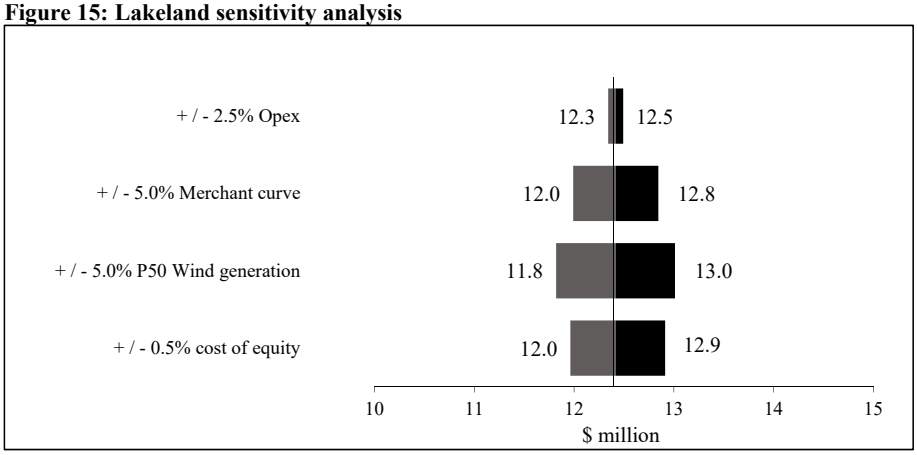
Sensitivity analysis

KPMG Corporate Finance has assessed the sensitivity of Lakeland's mid-point equity value of $12.5 million to changes in the following variables (assuming a risk factor of 50%):

- cost of equity: +/- 0.5%
- P50 wind generation: +/- 5.0%
- merchant curve: +/- 5.0%
- operating expenditure (opex): +/- 2.5%.

The output of this sensitivity analysis is summarised below:

Figure 15: Lakeland sensitivity analysis



Source: KPMG Corporate Finance Analysis.

The chart above highlights the sensitivity of Lakeland's mid-point equity value outcomes to individual movements in certain assumptions. The analysis indicates that:

- the equity value outcomes are relatively sensitive to changes in the cost of equity (+ 4.0% / - 3.7% change in equity value)
- the equity value outcomes are relatively sensitive to changes in the wind generation profile (+ 4.8% / - 4.8% change in equity value). This is to be expected since changes in wind generation directly impact contracted and uncontracted revenue, earnings and cash flows
- the equity value outcomes are relatively sensitive to changes in the merchant curve (+ 3.4% / - 3.4% change in equity value). This is to be expected since Lakeland's revenue is fully uncontracted for over 20 years of the total 30 years forecast period
- the equity value outcomes are not particularly sensitive to movements in operating expenditure (+ 0.6% / - 0.6% change in equity value) with operating expenses only representing 20% of revenue.

The analysis above shows that the equity value of Lakeland is relatively sensitive to changes in the cost of equity, the forecast wind production volumes and merchant energy prices.

Cross-check

Implied total development margin

The total value of Windlab's equity interest in Lakeland of $11.5 million to $13.5 million implies a total development margin of approximately $160,000 to $190,000 per MW and approximately 6.1% to 7.1% of the total project capex. The implied development margins are consistent with development margins historically achieved by Windlab for similar projects at financial close, ranging from $180,000 per MW to $490,000 per MW and from 8% to 12% of total capex. The implied development margins are however at the lower end of the range, reflecting the development stage of the asset and the uncertainty regarding the start of commercial operations, factors which are accounted for in our judgemental risk weighting of 50%.

Transaction evidence

The multiples implied by the DCF analysis have been compared to MW multiples of transactions involving selected wind farms under development in Australia. These multiples are summarised are set out in detail in Appendix 6.

In relation to the transaction evidence, we note that recent transactions involving wind farms under development generally occurred at MW multiples in the range of 0.1 to 2.1 times ($100,000 to $2,100,000 per MW), with a mean and median of 0.7 times ($700,000 per MW) and 0.3 times ($300,000 per MW), respectively.

Lakeland's implied MW multiples of $170,000 to $200,000 per MW are within the range of recent transactions of $100,000 to $2,100,000 per MW, albeit at the lower end of the range, reflecting the development stage of the asset and the uncertainty regarding the start of commercial operations, factors which are accounted for in our discount rate through inclusion of an additional risk premium.

Sharemarket evidence

The multiples implied by the DCF analysis have not been compared to MW multiples of listed wind energy companies as there is no company that is directly comparable to Lakeland, mainly focusing on late stage developments.

8.5 Valuation of early stage developments

Windlab has a significant pipeline of early-stage development opportunities in Australia, South Africa and Sub-Saharan Africa. Valuing the development pipeline is difficult given the various stages of development for each project, individual asset characteristics, uncertainty around development timeframes, uncertainty as to the future uncontracted energy and LGC revenue, and ultimately whether the projects will reach financial close.

8.5.1 Australian pipeline

As summarised in the table below, KPMG Corporate Finance has assessed the value of Australian development pipeline to be in the range of $7.0 million to $16.5 million.

Table 36: Value of Australian development pipeline

	Value range	
$millions	**Low**	**High**
Estimated development fee for Kennedy ($m)	6.0	12.0
Estimated development fee for Upper Burdekin ($m)	1.0	4.5
Estimated value of Australian development pipeline ($m)	**7.0**	**16.5**

Source: KPMG Corporate Finance Analysis.

Kennedy Wind Farm Stage 1

As summarised in the table below, KPMG Corporate Finance has assessed the project value of Kennedy to be in the range of $6.0 million to $12.0 million.

Table 37: Kennedy summary of value (Selected value)

	Value range	
$millions	**Low**	**High**
Kennedy's capacity (MW)	600	800
$ / MW	10,000	15,000
Estimated development fee for Kennedy ($m)	**6.0**	**12.0**

Source: KPMG Corporate Finance Analysis.

In assessing the value of Kennedy, KPMG Corporate Finance has applied a $ per MW multiple to expected capacity, to derive an enterprise value.

We have sourced the MW multiples used in our valuation from transactions involving projects at a comparable stage of development. The relevant publicly disclosed MW multiples for wind farms under development are set out in detail in Appendix 6.

In relation to the transaction evidence, we note that recent transactions involving wind farms under development generally occurred at multiples per MW in the range of 0.1 to 2.1 times ($100,000 to $2,100,000 per MW), with a mean and median of 0.7 times ($700,000 per MW) and 0.3 times ($300,000 per MW), respectively.

KPMG Corporate Finance has applied a multiple range of $10,000 to $15,000 per MW for Kennedy's early stage development. We have applied a multiple range that is lower than the transaction evidence for the following reasons:

- the transaction evidence reflects MW multiples for mid-stage or late-stage developments rather than early-stage developments such as Kennedy
- the significant size of the Kennedy project (600 to 800 MW) and the expected total development costs to reach financial close (approximately $4.5 million)
- physical distance to transmission network: the closest current transmission infrastructure is 250 km away, and additional investment in transmission is required to support the project. In this regard, CopperString 2.0 is currently the best option for a transmission solution for Kennedy.

The multiple range of $10,000 to $15,000 per MW is consistent with development fee multiples observed by KPMG Corporate Finance from similar transactions.

Upside scenario

The Kennedy development is a significant asset relative to Windlab's existing portfolio of operational assets, comprising turbines that will provide a total installed capacity of up to 800 MW for Stage 1 (the current total generation of Windlab's owned portfolio is 39MW).

An upside scenario assuming a development fee of $20,000 to $30,000 per MW at financial close results in a value range of $12.0 million to $24.0 million, reflecting a 50% increase in the equity value. This indicates that there is significant potential upside for the Kennedy development given its significant size (600 MW). However, there is also significant downside risks given that the project is still at an early stage of development.

On this basis, we consider that our selected range appropriately takes into consideration the risks inherent to the Kennedy development.

Upper Burdekin

As summarised in the table below, KPMG Corporate Finance has assessed the project value of Upper Burdekin to be in the range of $1.0 million to $4.5 million.

Table 38: Upper Burdekin summary of value

	Value range	
$millions	**Low**	**High**
Upper Burdekin's capacity (MW)	400	600
$ / MW	2,500	7,500
Estimated development fee for Upper Burdekin ($m)	**1.0**	**4.5**

Source: KPMG Corporate Finance Analysis.

In assessing the value of Upper Burdekin, KPMG Corporate Finance has applied a $ per MW multiple to expected capacity, to derive an enterprise value.

We have sourced the MW multiples used in our valuation from transactions involving projects at a comparable stage of development (Appendix 6).

KPMG Corporate Finance has applied a multiple range of $2,500 to $7,500 per MW for Upper Burdekin's early stage development. We have applied a multiple range that is lower than the transaction evidence for the following reasons:

- the transaction evidence reflects MW multiples for mid-stage or late-stage developments rather than early-stage developments such as Upper Burdekin
- the significant size of the Upper Burdekin project (400 to 600 MW) and the expected total development costs to reach financial close (approximately $2.8 million)
- whilst Management expect that the Upper Burdekin project will be the next development project to reach financial close after Lakeland, the project is still at a relatively early stage (validation stage).

We have applied a multiple range that is lower than that applied for Kennedy, as Upper Burdekin is at an earlier development stage (validation stage) than Kennedy (approvals and permitting stage).

Victoria Project 1

KPMG Corporate Finance has ascribed a nil value to the Victoria Project 1 as this project is under validation phase only and Windlab has not yet secured the land tenure to enable wind farm development. In addition, an acquirer is unlikely to pay for development activities for which they will bear all risk and front all capital.

8.5.2 South African pipeline

Selected value

Windlab is currently focused on progressing five development projects in South Africa, equating to approximately 642 MW of capacity, towards financial close over the short to medium term. All five projects are ready to be tendered into the next South African competitive tender process (REIPPPP 5), the timing of which is uncertain.

As summarised in the table below, KPMG Corporate Finance has assessed the value of South African development pipeline to be $3.1 million, reflecting the total developments costs incurred to date.

Table 39: Value of South African development pipeline (base case scenario)

$millions	Value
Costs incurred to date	3.1
Estimated value of South African development pipeline ($m)	**3.1**
Installed capacity (MW)	642
Implied $ / MW	**0.005x**

Source: KPMG Corporate Finance Analysis.

In assessing the value of the South African development pipeline, KPMG Corporate Finance has adopted the cost approach and considered costs incurred to date. This recognises that there is value in the fact that Windlab has advanced all these projects to a bid-ready and REIPPPP compliant stage through activities completed to date. As such, an acquirer need not incur costs replicating the tasks or steps already completed by Windlab.

Based on information provided by Windlab, the total costs incurred to date for these five projects amount to approximately $3.1 million. Management consider these costs represent efficient execution of the development steps required to advance the projects to a bid-ready and REIPPPP compliant stage.

KPMG Corporate Finance has not ascribed any value above the costs incurred to date based on the following considerations:

- uncertainty of timing of the next competitive tendering process
- the South African government is seeking to fulfil a total installation capacity of approximately 1,500 to 2,000 MW of wind energy. This target will require multiple tenders and a large pool of investors
- the South African tendering process is very competitive and there is a risk that preference will be given to local investors rather than international investors such as Windlab
- the probability of successfully tendering for all five projects in one round is low
- development margins are lower in South Africa, compared to margins generated from development projects in Australia.

Downside scenario

The downside scenario is a worst case scenario that assumes that no value is ascribed to the Windlab's South African development pipeline on the basis that an acquirer is unlikely to pay for development activities for which they will bear significant risks, as identified above, and front all capital.

Upside scenario

KPMG Corporate Finance has developed a third scenario for Windlab's South African pipeline in order to illustrate the potential upside in value.

The upside scenario reflects recent developments in South Africa, including the two draft determination published by NERSA in March 2020 soliciting feedback on the Energy Minister's plans for the procurement of additional energy capacity. NERSA expects the public consultation process to take up to six months, with Round 5 of the REIPPPP starting after this process (refer to industry overview in Appendix 3).

The upside scenario is an optimistic scenario that assumes that the Windlab will generate a development fee of $10,000 to $15,000 per MW for its South African pipeline, resulting in a range of $6.4 million to $9.6 million, reflecting a 52% to 68% margin on costs incurred to date.

The upside scenario indicates significant potential upside value given the significant size of the South African pipeline (642 MW). However, there is also significant downside risks, as highlighted in our downside scenario.

On this basis, we consider that our selected range, appropriately takes into consideration the risks inherent to the South African development pipeline.

8.5.3 Sub-Saharan African pipeline

Windlab is currently focused on progressing two projects toward financial close over the short to medium term: Miombo Hewani and Meru Energy Park.

Miombo Hewani

Miombo Hewani is currently in the permitting and approvals stage, with an estimated capacity of 100 MW. This project is ready to be tendered and Windlab expects to reach financial close in 2020.

Valuation of the Miombo Hewani early-stage development is difficult given the uncertainty around the timing of the tender submission and ultimately the project reaching financial close.

As summarised in the table below, KPMG Corporate Finance has assessed the value of the Miombo Hewani development to be $1.8 million, reflecting Windlab's share of the total developments costs incurred to date.

Table 40: Value of Miombo Hewani development

$millions	Value
Costs incurred to date	2.4
Estimated value of Miombo Hewani development ($m)	**2.4**
Installed capacity (MW)	100
Implied $ / MW	**0.02x**
Windlab's 75% interest in Miombo Hewani development ($m)	**1.8**

Source: KPMG Corporate Finance Analysis.

In assessing the value of the Miombo Hewani development, KPMG Corporate Finance has adopted a cost approach which recognises that there is value in the fact that Windlab has advanced this project to a bid-ready stage.

Based on information provided by Windlab, the total costs incurred to date for this project amount to approximately $2.4 million. Management consider these costs represent efficient execution of the development steps required to advance the project to a bid-ready stage.

We have assumed that these costs represent the cost to efficiently reproduce the development steps that were undertaken by Windlab.

KPMG Corporate Finance has not ascribed any value above the costs incurred to date based on the following considerations:

- the uncertainty regarding the tender submission, which has already been delayed
- the tendering process is competitive and there is a risk that preference will be given to local investors rather than international investors such as Windlab
- development margins are lower in Sub-Saharan Africa, compared to margins generated from development projects in Australia.

Meru Energy Park

KPMG Corporate Finance has ascribed a nil value to the Meru Energy Park development as it is in the validation phase. In this regard, an acquirer is unlikely to pay for development activities for which they will bear all risk and front all capital

8.6 Valuation of assets under management

Overview

Windlab currently performs asset management services for five projects in Australia with a total capacity under management of 485 MW. Windlab also expects to provide asset management fees for projects in Australia that are expected to reach financial close in the near term.

As summarised in the table below, KPMG Corporate Finance has assessed the total value of Windlab's assets under management contracts to be in the range of $5.4 million to $5.7 million.

Table 41: Value of asset under management contracts

	Value range	
$millions	**Low**	**High**
Existing contracts sub-total	3.6	3.8
Expected contracts (preferred supplier) sub-total	1.8	1.9
Total enterprise value of asset under management contracts	**5.4**	**5.7**
Net cash / (debt) of asset management operations[1]	-	-
Total equity value of asset under management contracts	**5.4**	**5.7**
Total forecast FY20 EBIT of asset under management contracts	1.5	1.5
Total implied EBIT multiple of assets under management contracts[2]	**3.7x**	**3.9x**

Source: KPMG Corporate Finance Analysis.
Note 1: Windlab's asset under management operations do not carry any debt as at 31 December 2019.
Note 2: The EBIT multiple has been calculated based on the sum of the forecast FY20 EBIT for each individual asset under management contract.

In assessing the value of Windlab's asset under management contracts, KPMG Corporate Finance has adopted a DCF as the primary method, which has been cross-checked using EBIT multiples.

Key assumptions

The table below summarises the key assumptions used to value Windlab's assets under management future cash flows.

Table 42: Asset under management DCF assumptions

Assumption	Discussion
Forecast period	For existing contracts, the forecast period is based on the underlying contractual period of each agreement, ranging from 5 years to 20 years. For expected contracts, the forecast period is based on the underlying PPA contractual period
Annual fees	As per Windlab's budget for FY20 to FY22 Post FY22, annual fees are assumed to grow at the rate of inflation
Inflation rate	Australian forecast inflation rate of 2.5%
EBIT margin	An EBIT margin of 30% was adopted based on: - Windlab's target EBIT margin of 35% on all asset management contracts - the EBIT margin achieved by Windlab in FY19 of 28%
Tax rate	Australian corporate tax rate of 30.0%
Risk weighting	For existing contracts: 100% For expected contracts: 50% Judgemental risk weighting of 50% to reflect the uncertainty regarding the probability of these contract eventuating
WACC	Base WACC of 7.5% to 8.5% for all asset management contracts Additional risk premium of 2.3% for KEP Additional risk premium of 4.0% for Lakeland Refer to Appendix 8 for further details

Source: KPMG Corporate Finance Analysis.

Cross-checks

Sharemarket evidence

Sharemarket evidence for listed asset management companies is set out in Appendix 5.

In relation to comparable companies, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- whilst the asset management companies set out in Appendix 5 provide asset management services in some capacity, they do not operate in the renewable sector and hence are not directly comparable to Windlab's asset management business
- Australian and New Zealand asset management companies have EBIT multiples in the range of 3.2 times to 11.4 times, with a mean and median of 8.5 times and 9.7 times, respectively

The implied EBIT multiple of Windlab's asset management business of 3.7 times to 3.9 times is at the low end of the range of comparable companies, reflecting the fact that no terminal value has been attributed to the Windlab asset management business as the underlying asset management contracts generate cash flows over a fixed contractual period.

8.7 Valuation of royalty agreement

KPMG Corporate Finance has assessed the total value of Windlab's royalty agreement to be in the range of $2.6 million to $2.7 million.

In assessing the value of Windlab's West Coast One royalty agreement, KPMG Corporate Finance has adopted a DCF analysis as the primary method.

Key assumptions

The table below summarises the key assumptions used to forecast West Coast One's future cash flows.

Table 43: Royalty agreement DCF assumptions

Assumption	Discussion
Forecast period	The forecast period of 15 years is based on the underlying remaining PPA contractual period
Annual distributions	As per Windlab's budget for FY20 to FY22 Post 2022, annual royalty distributions are assumed to grow at the South Africa inflation rate
Inflation rate	South African forecast inflation rate of 5.0%
Withholding tax	Royalty distributions are subject to a 5.0% withholding tax in South Africa
Exchange rate (ZAR to AUD)	Forecast royalty distributions are denominated in South African Rand (ZAR) The NPV of future royalty distributions were converted into AUD using a spot rate, as sourced from S&P Capital IQ
Corporate tax	Distributions are subject to the Australian corporate tax rate of 30.0%
Cost of equity (ke)	14.0% to 15.0% (Appendix 7)

Source: KPMG Corporate Finance Analysis.

8.8 Valuation of success fees

As summarised in the table below, KPMG Corporate Finance has assessed the total value of the Windlab's success fees to be in the range of $3.9 million to $4.0 million.

Table 44: Value of Windlab's total success fees

$ million unless otherwise stated	Section reference	Value range Low	High
Success fees			
Verdigre	8.8.1	1.1	1.2
Greenwich	8.8.2	2.8	2.8
Total success fees		**3.9**	**4.0**

Source: KPMG Corporate Finance Analysis.

8.8.1 Verdigre

As summarised in the table below, KPMG Corporate Finance has assessed the total value of the Verdigre fee to be in the range of $1.1 million to $1.2 million.

Table 45: Value of Verdigre success fee

$millions	Value range Low	High
Equity value of Verdigre success fee	1.9	1.9
Risk weighted factor	60%	60%
Probability weighted equity value of Verdigre success fee	**1.1**	**1.2**

Source: KPMG Corporate Finance Analysis.

In assessing the value of the Verdigre success fee, KPMG Corporate Finance has adopted a DCF as the primary method.

Key assumptions

The table below summarises the key assumptions used to forecast the future cash flows in relation to the Verdigre success fee.

Table 46: Verdigre success fee DCF assumptions

Assumption	Discussion
Timing of success fee	The success fee is forecast to be received in 2025
Quantum of success fee	The success fee is estimated at $US2.5 million based on a payment of 20,000 MW per MW and Windlab majority preferred interest arrangement
Risk weighting	Judgemental risk weighting of 60% to reflect the risk of the project reaching financial close and uncertainty regarding the timing thereof
Exchange rate (USD to AUD)	The forecast success fee is denominated in USD dollars The NPV of the success fee payment was converted using a spot rate, as sourced from S&P Capital IQ
Corporate tax	Australian corporate tax at 30%
Cost of equity (ke)	9.0% to 10.0% (Appendix 7)

Source: KPMG Corporate Finance Analysis.

8.8.2 Greenwich

As summarised in the table below, KPMG Corporate Finance has assessed the total value of the Verdigre fee to be in the range of $2.81 million to $2.84 million.

Table 47: Value of Greenwich success fee

	Value range	
$millions	**Low**	**High**
Equity value of Greenwich success fee	3.51	3.55
Risk weighted probability factor	80%	80%
Probability weighted equity value of Greenwich success fee	**2.81**	**2.84**

Source: KPMG Corporate Finance Analysis.

In assessing the value of the Greenwich success fee, KPMG Corporate Finance has adopted a DCF as the primary method.

Key assumptions

The table below summarises the key assumptions used to forecast the future cash flows in relation to the Greenwich success fee.

Table 48: Greenwich success fee DCF assumptions

Assumption	Discussion
Timing of success fee	The success fee has been delayed and is forecast to be received in 2021
Quantum of success fee	The success fee is estimated at $US3.8 million based on a payment of 50,000 MW per MW and Windlab's estimated profit share
Risk weighting	Judgemental risk weighting of 80% to reflect the risk of the project reaching financial close and uncertainty regarding the timing thereof
Exchange rate (USD to AUD)	The forecast success fee is denominated in USD dollars The NPV of the success fee payment was converted using a spot rate, as sourced from S&P Capital IQ
Corporate tax	Australian corporate tax rate of 30%
Cost of equity (ke)	9.0% to 10.0%

Source: KPMG Corporate Finance Analysis.

8.9 Valuation of maintainable corporate overheads

In valuing the individual value components of Windlab, no allowance was made for unallocated corporate costs. In FY20, unallocated group overheads are forecast to amount to $4.7 million. This amount includes public company costs (e.g. share register, Director's fees, Directors and officers liability insurance and half year audit fees) of $0.5 million.

The most likely acquirer of 100% of Windlab's shares could likely save all of Windlab's public company costs. Consequently, an allowance of $0.5 million has been made in determining our estimate of maintainable corporate overheads.

Our valuation of Windlab includes the capitalised value of the maintainable corporate overheads. This amount has been calculated based on the forecast FY20 corporate overheads, net of cost savings. We have applied a capitalisation multiple in the range of 4.0 times to 5.0 times based on EBITDA multiples of listed Australian asset management businesses (refer to Appendix 5). In this regard, we have had regard to the nature of the Windlab head office costs and the size of the business and selected a multiple within the range of comparable companies.

As summarised in the table below, KPMG Corporate Finance has assessed the value of the capitalised maintainable corporate overheads to be in the range of $15.0 million to $20.0 million.

Table 49: Windlab's maintainable corporate overheads

	Value	
$millions	**Low**	**High**
FY20 Corporate overheads	4.7	4.7
Public company cost savings	(0.5)	(0.5)
Maintainable corporate overheads	4.2	4.2
Capitalisation multiple	5.0x	4.0x
Calculated value of corporate overheads	**20.9**	**16.7**
Selected value of corporate overheads	**20.0**	**15.0**

Source: KPMG Corporate Finance Analysis.

8.10 Windlab's corporate other assets and liabilities

Windlab has a total net liability of $0.1 million at the corporate level relating to trade and other receivables, prepayments, trade and other payables, employee benefits and lease liabilities.

8.11 Windlab's corporate net debt

As at 31 December 2019, Windlab had $12.5 million of corporate cash and $9.8 million of interest bearing liabilities amounting to net cash of $2.7 million.

Corporate cash includes $9.0 million of cash that is restricted for use in WEA (Windlab's 75% share of WEA's total restricted cash of $12.0 million).

8.12 Scenario analysis for the valuation of Windlab

KPMG Corporate Finance has developed a range of scenarios for Windlab's value in order to illustrate the impact on value of potential changes in key variables. It should also be noted that there is a wide range of other potential outcomes for each variable and even more combinations of those outcomes. KPMG Corporate Finance has developed the following scenarios.

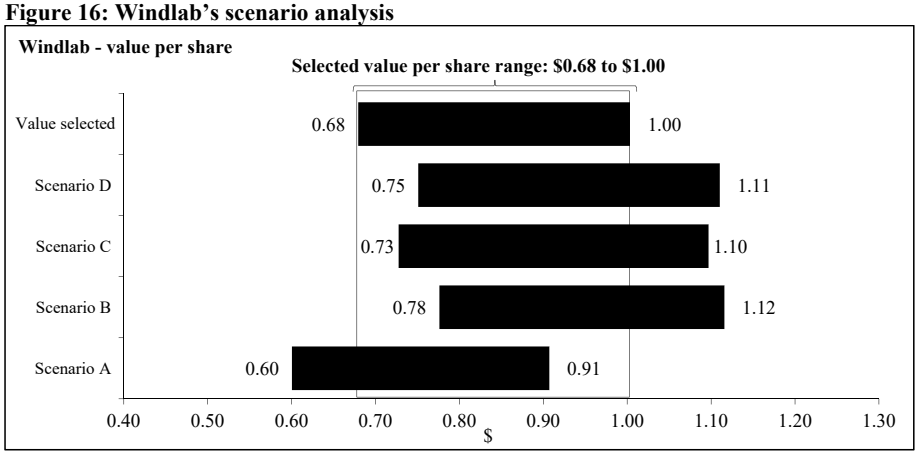
Table 50: Windlab scenario analysis

Scenario	Description
Scenario A	KEP Downside Scenario 1: Base case scenario with a higher cost of equity to account for a total contingency allowance of $10 million. (Refer to section 8.3.3).
Scenario B	KEP Upside Scenario: Base case scenario with a lower cost of equity reflecting KEP completing grid connection, GPS modelling and registration as a generator; and starting commercial operating in September 2020. (Refer to section 8.3.3).
Scenario C	South African development pipeline Upside Scenario: we have assumed a value range of $10,000 to $15,000 per MW. (Refer to section 8.5.2).
Scenario D	Kennedy Wind Farm Stage 1 Upside Scenario: we have assumed a value range of $20,000 to $30,000 per MW. (Refer to section 8.5.1)

Source: KPMG Corporate Finance Analysis.

The range of Windlab's share value for each scenario is illustrated in the following chart.

Figure 16: Windlab's scenario analysis



Source: KPMG Corporate Finance Analysis.

The analysis of the scenarios above indicates that there is limited downside risk and greater potential for upside, which is reasonable given the nature of the business.

However, uncertainties in the macro-economic environment may moderate against the upside potential of the business in the short term. In this regard:

- Windlab's operating wind farms have defensive characteristics as they are not demand or GDP driven but rather generate electricity from wind (a renewable resource) under contractual arrangements (PPAs) which provide a level of revenue stability.
- Development activities by their nature are subject to risk and uncertainty. Economic uncertainty arising from COVID-19 may impact on Windlab's ability to raise third party debt and to bring its development projects to financial close and/or diminish the returns that Windlab may otherwise generate from those projects. However, in the context of long term operating projects and 3 to 5 year development projects, the impact of COVID-19 is not expected to be significant.

Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Adele Thomas and Sean Collins. Adele is a member of Chartered Accountants Australia and New Zealand and holds Bachelor degrees in Commerce and Accounting. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute for Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Adele and Sean have a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Wanda Xu and Xavier Dunand have assisted in the preparation of the report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Windlab shareholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company, and its advisers may undertake. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the diligence process, which is outside our control, and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently. In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Windlab for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to Scheme Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme booklet (including earlier drafts)
- Draft Scheme Implementation Agreement, dated 4 March 2020
- company presentations and announcements of Windlab
- audited annual reports for the periods ended 31 December 2017, 31 December 2018 and 31 December 2019 for Windlab
- broker reports for Windlab
- various press and media articles
- data providers including S&P Capital IQ, IRESS, Bloomberg, Thompson Financial Securities, FactSet and Connect 4
- various reports on the energy and renewable energy industry in Australia and Africa.

Non-public information:

- management papers and documents confidential to Windlab
- Cash Flow Models for Windlab prepared by Windlab management.

In addition, we have had discussions with the management of Windlab and its advisors.

Appendix 3 – Industry overview

Windlab is an integrated wind farm developer, owner and asset manager operating in the renewable energy sector of the electricity generation industry in Australia and parts of Sub-Saharan Africa and South Africa. Windlab has historically had operations in the United States, but is in the process of exiting that market. Windlab focuses on onshore wind farm development projects.

Global renewable energy market

Sustainability and cost concerns surrounding legacy electricity generation sources, namely coal, oil and natural gas, has seen suppliers and consumers turn to renewable sources of energy (i.e. those that are not depleted when used) including wind, solar and hydro-electric power.

Wind energy: Wind farms capture the energy of wind flow by using turbines to create electricity. The energy of the wind turns two or three propeller-like blades around a rotor. The rotor is connected to the main shaft, which spins a generator to create electricity.

Solar energy: Solar energy is derived by capturing radiant energy from sunlight and converting it into heat, electricity, or hot water. Photovoltaic systems can convert direct sunlight into electricity through the use of solar cells. Solar panels convert most of the visible light spectrum and about half of the ultraviolet and infrared light spectrum to usable solar energy.

Hydro-electric energy: Flowing water creates energy that can be turned into electricity called hydroelectric power or hydropower. The most common type of hydroelectric power plant uses a dam on a river to store water in a reservoir. Water released from the reservoir flows through a turbine, spinning it, which in turn activates a generator to produce electricity.

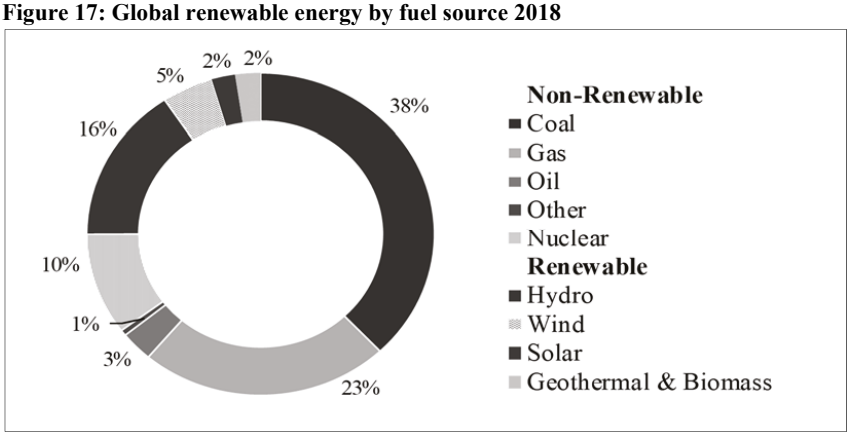
Global renewable energy by fuel source

As displayed in the figure below, renewable electricity generation accounts for approximately 25% of total electricity generated globally with wind and solar generation making up 7%. Renewables have trended upwards from 18% of total electricity generation in 2000 to 25% in 2018[11].

Hydropower has historically been the dominant generation source of renewable energy. While hydro generation has steadily increased since 2000, it makes up a smaller concentration of renewable generation due to a 57 fold increase in wind and solar electricity generation since that time. Renewables as a fuel source is expected to increase from 25% of total electricity generation in 2018 to between 29% and 43% by 2040, depending on the level of CO_2 emissions and the pace of the retirement of legacy sources.

[11] BP Statistical Review of World Energy 2019, 68th edition

Figure 17: Global renewable energy by fuel source 2018

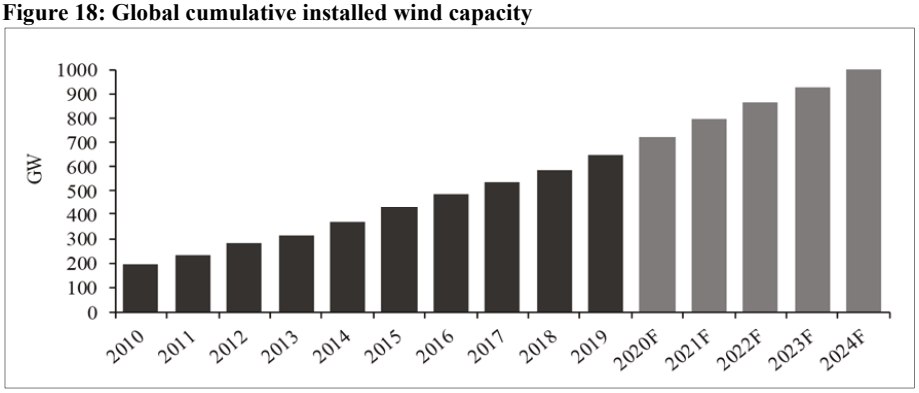


Source: BP Statistical Review of World Energy 2019, 68th edition.

As per the BP 2019 renewables status report, 181 Gigawatts (GW) of renewable energy capacity was added globally in the year 2018. This brought the total capacity to 2,378 GW. Solar, wind and hydropower accounted for 55%, 28% and 11% of the increase, respectively. Renewable energy accounted for a third of the world's total installed generating and 2018 marked the fourth consecutive year that renewables net capacity additions were higher than fossil fuels[12].

According to the Global Wind Energy Council's latest report, 60.4 GW of wind capacity was added in 2019 bringing total wind capacity worldwide to 651 GW[13]. The figure below shows the increasing trend in cumulative installed wind capacity.

Figure 18: Global cumulative installed wind capacity



Source: Global Wind Energy Council - Global Wind Energy Report 2019 (March 2020).

Forecast figures are prior to any considerations relating to the COVID19 outbreak and the economic impacts to the wind energy industry that may follow.

[12] Renewables 2019 – Global Status Report – Renewables Now
[13] Global Wind Energy Council - Global Wind Energy Report 2019 (March 2020)

Cost factors continue to support the proliferation of renewable energy, demonstrated by steady reductions in the levelised cost of electricity (LCOE), a measure of the average cost of building and operating a new electricity generator over its assumed life cycle[14]. Global LCOE from commercially available renewable power generation technologies declined in 2018. Solar PV and onshore wind both declined 13%, which is attributed to technological improvements and increased competition in the market.

Sustainability and environmental considerations have helped drive the propagation of renewables generation. The ratification of The Paris Agreement in November 2016 saw a commitment to reduce global emissions which along with domestic policies continue to push producers to renewable sources of energy.

Australian renewable energy sector

National Electricity Market

The Australian electricity market is overseen by the AEMO. The AEMO manages the NEM, an arrangement across the eastern states of Australia for synchronous electricity transmission and also manages the Wholesale Electricity Market (WEM) which supplies power to the south-west of Western Australia via the South West Interconnected System (SWIS).

The NEM operates one or the largest interconnected power systems in the world. It covers roughly 5000km from Port Douglas to Tasmania linking all eastern states though five interconnected price regions. The NEM carries power from generators to both industrial users and local distributors which are owned by private entities or governments. There are over 40,000km of transmission cables and lines supplying approximately 200,000 GWh of electricity per annum to over nine million customers.

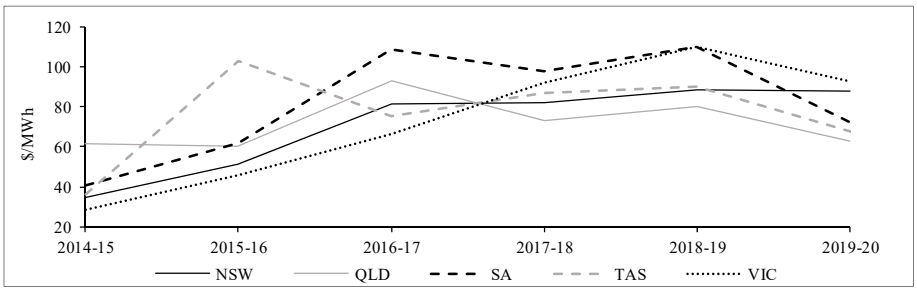
The NEM operates as a wholesale commodity exchange and spot market or pool. Power supply and demand is matched in real time through a centrally coordinated dispatch process which ensures that the market receives the electricity it requires at the lowest available cost.

National electricity rules set a floor and a cap on the spot price to ensure reasonable prices prevail. Market participants have derivative options available to them to help manage financial risks[15].

Historical annual average recommended retail prices per state are shown in the figure below. These represent the average spot price of electricity ($/MWh) per region for each financial year.

[14] Australian Energy Regulator – Wholesale Electricity Market Performance Report 2018 (December 2018)
[15] AEMO - The National Electricity Market Factsheet

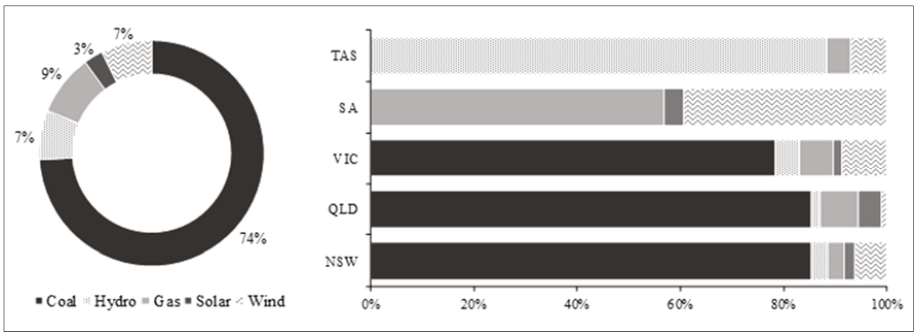
Figure 19: Annual average recommended retail price per region in the NEM



Source: AEMO website.

The marginal cost in generation of wind or solar is minimal, while coal and gas face higher marginal costs. This affects the price inputs into the NEM as renewable suppliers can bid into the NEM at zero or negative prices, thus maximising allocation at the spot price. In 2018, the NEM had a total electricity generating capacity of 54.4 GW.

Figure 20: Total and per state NEM fuel mix for the 12 months prior to 1-Feb 2020



Source: Australian Energy Market Operator website.

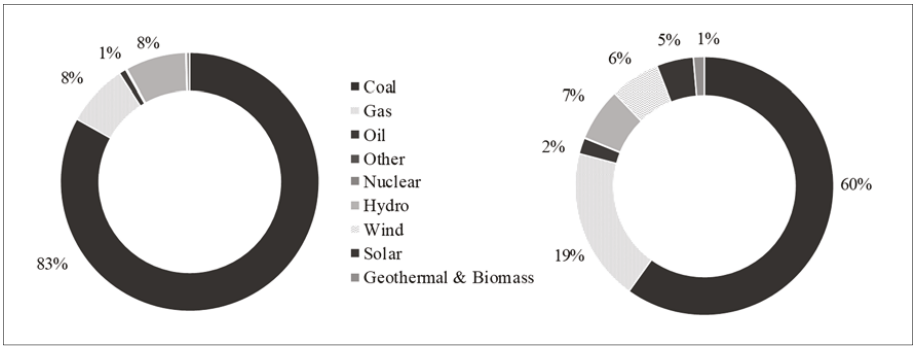
The fuel mix supplied in the NEM is still coal concentrated as shown in the figure below. The Tasmanian fuel mix contains mainly hydro-power while SA has diversified into wind power at a more significant level than VIC, NSW and QLD which are still reliant on coal as a fuel source.

Australian renewable policy and LGCs

Renewable energy policy in Australia is driven by the Renewable Energy Targets (RET), with a current target of 33,000 GWh of new renewable generation by 2020. Australia's RET scheme expires in 2030.

The Figure below contrasts electricity mix by fuel source since 2000, showing a reduction in coal from 83% in 2000 to 60% in 2018. Approximately 11% of the reduction in coal went into gas, which increased from 8% in 2000 to 19% in 2018. The other 11% went into wind and solar generation, both increasing from 0% in 2000, to 6% and 5% in 2018, respectively.

Figure 21: Australian electricity generation by fuel comparison: 2000 vs 2018



Source: BP Statistical Review of World Energy 2019, 68th edition.

The RET creates a financial incentive for the establishment or expansion of renewable power stations by legislating demand for LGCs. Owners of renewable power stations are issued one tradable LGC for every MWh of renewable power they produce. Liable entities, usually retailers, must then purchase these LGCs based on the amount of electricity they procure each year to demonstrate their compliance with the RET scheme's annual targets. The certificates are subsequently surrendered to the Clean Energy Regulator (CER) and cease to be valid. Failure to surrender adequate LGCs results in a shortfall charge.

The revenue earned by the power station for the sale of LGCs is additional to that received for the sale of electricity generated. LGCs are traded at a rate determined by supply and demand of the market. The price of LGCs is expected to converge to zero by 2030 in the absence of a new RET scheme

Clean Energy Finance Corporation

The CEFC is responsible for investing $10 billion in clean energy projects on behalf of the Australian Government. Its mission is to help lower Australia's carbon emissions by investing in renewable energy, energy efficiency and low emissions technologies across the economy, via a range of finance options. The CEFC acts as a catalyst to increase investment in emissions reduction through direct investments which attract private sector finance, as well as through its strategic co-financing partners.

Australian wholesale electricity prices and PPA market

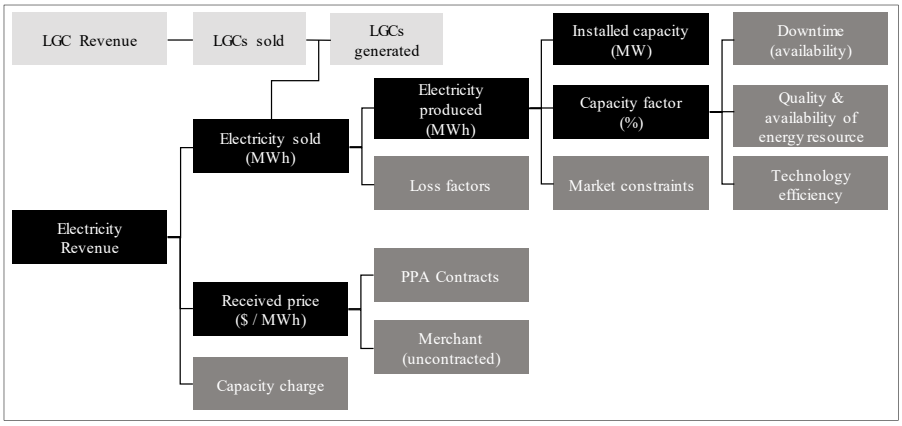
LGCs and wholesale electricity prices in Australia are subject to volatility. As such, renewable energy developers enter into PPAs to mitigate this risk. PPAs are long-term, fixed price agreements between a power generator and a purchaser for the sale of energy supply and/or LGCs. The relationship between wholesale electricity prices and LGCs is driven by the long-run marginal cost of renewable energy (the cost to produce renewable energy over the life of the project) and the shortage of renewable energy generation capacity to meet Australia's RET. As a result, the availability of LGCs is critical to ensure PPA pricing is at a level that will support the economics of capital-intensive development projects such as wind farms.

Corporate PPAs for wind energy have more than doubled from 3,150 MW in 2015 to 6,673 MW in 2018.

Key drivers of the electricity generation market

A summary of the key revenue drivers of a renewable generator is summarised in the figure below.

Figure 22: Revenue drivers of a renewable generator



Source: KPMG Corporate Finance Analysis.

Some terminology referred to in this report and on the above figure is summarised below.

Power: the rate at which electrical energy is produced or consumed per unit of time (e.g. an hour). A unit of power is measure in watts.

Installed capacity: the maximum output of power achievable from a power generator.

Capacity factor: the ratio of actual electrical energy output to potential output, over a given period of time. The capacity factor is impacted by factors including scheduled or unscheduled downtime, the quality and availability of wind resource, and turbine technology efficiency.

Energy: a measure of the amount of electricity produced over a given period of time measured in kilowatt-hours (kWh), megawatt-hours (MWh) or gigawatt-hours (GWh).

Loss factors: these can include: (i) energy loss during transport of electricity between power stations and customers due to electrical resistance and the heating of conductors; and (ii) electricity used in process of generating electricity and in the operation and maintenance of all components of the power station.

Marginal loss factor (MLF): MLFs represent electricity losses (to atmosphere and heat) along the transmission network between a connection point and the regional reference node (RNN), which is used to represent the regional centre of the transmission network. Transmission loss factors are calculated so generators get paid based on the power that actually arrives, not the power they dispatch. They are calculated each year by AEMO in line with principles set out in the National Electricity Rules and in consultation with stakeholders.

In February 2020, the Australian Energy Market Commission (AEMC) published a final rule determination to give the market operator, AEMO, more flexibility in its methodology for calculating MLFs. These changes, which come into effect on 5 March 2020 include removing the requirement that: (i) inter-regional loss factors be calculated using a regression analysis (allowing use of other techniques); (ii) MLF values must be based on a period of 30 minutes

(enabling modelling over greater periods); and (iii) market network service providers be treated as invariant in the calculation of MLFs (allowing forecast of variable behaviour).

Distribution loss factor (DLF): DLFs represent the value of electrical losses in electricity transmitted on a distribution network between a distribution network connection point and a transmission network connection point or virtual transmission node. The Distribution Network Service Provider (DNSP) is responsible for determining the DLFs and providing them to AEMO.

Merchant pricing: sale of electricity or LGCs at prevailing market or spot price in a wholesale market, where a power generator is connected to the grid (e.g. the NEM).

Capacity charge: where applicable, an arrangement whereby the counterparty agrees to pay a fixed charge each period, based on the amount of generation capacity made available, irrespective of actual electricity usage during that period.

Australian electricity market outlook

The outlook for electricity prices in Australia is uncertain and dependent on a variety of factors, as described below.

The Australian Government has implemented favourable policies requiring investment in renewable energy sources, such as RET. However there is uncertainty surrounding renewable targets beyond 2030.

In addition, long-run electricity prices will be impacted by the retirement of Australia's ageing fleet of coal powered stations and the long-run marginal cost of new, largely renewable, generation capacity that replaces them.

Electricity wholesale prices are anticipated to decline over the next few years. Several renewable energy projects are likely to come online in 2019-2020, increasing electricity supply and exerting downward pressure on wholesale prices.

South African renewable energy sector

South Africa remains the most developed energy market in Africa. The South African Ministry of Energy asserts the country has 51.3 GW of total electricity generation capacity of which 8.8%, or 4.5 GW is renewable. The nation is still dependant on thermal coal powered stations for much of its energy generation.

South African Integrated Resource Plan

The South African government will implement measures to increase generation capacity outside of Eskom (the South African public utility). The Integrated Resource Plan (IRP) 2019 will enable the development of additional grid capacity from renewable energy, natural gas, hydro power, battery storage and coal. An ambition of the IRP is to generate around a quarter of the country's electricity from wind and solar sources by 2030. In 2019, the wind energy target for 2030 was revised upwards from 11.4 GW to 17.7 GW. Regarding coal, the IRP 'Decision 6' states: "South Africa should not sterilise the development of its coal resources for purposes of power generation, instead all new coal power projects must be based on high efficiency, low emission technologies and other cleaner coal technologies[16]".

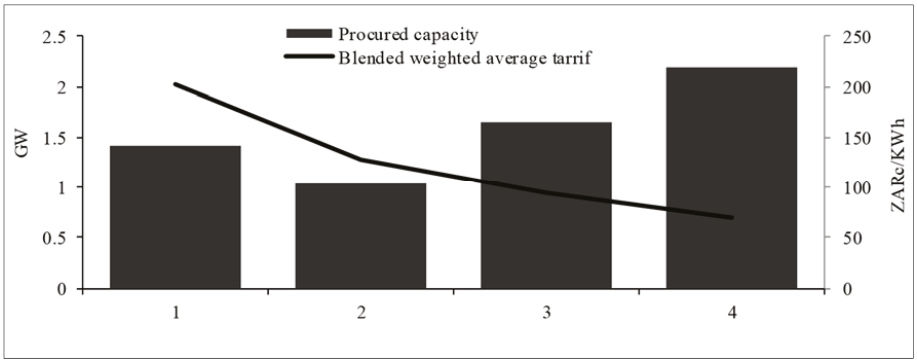
[16] Integrated Resource Plan – Department of Energy Republic of South Africa (October 2019)

Renewable Energy Independent Power Producers Programme

Actioned in 2011 by the South African Department of Energy, the REIPPPP is a public procurement program which allows Independent Producers of Power (IPPs) to bid to design, develop and operate large scale renewable energy power plants in South Africa. Its objective is to provide a platform for which private enterprise can develop renewable energy projects in the country and enter into PPAs with the state owned utility. The REIPPPP capacity target for 2030 is 17.8 GW[17]. By mid-2018, the IPPs Office reported ZAR$201.8 billion in total investments in REIPPPP assets of which 24% came from foreign investors. Such is the improvement in the REIPPPP process, that the weighted average tariff on bids awarded has fallen 66% since the first bid window in 2012.

The success and growth of the REIPPP in conjunction with downward trends in international prices for renewable technology, has resulted in a decline in the bid prices in each bid window and as such, lower tariffs, as shown in the figure below. Four bid processes have been undertaken to date, the last being in August 2014.

Figure 23: Procured capacity per bid window from REIPPPP



Source 1: The South African Renewable Energy Independent Power Producers Procurement Programme – Lessons Learned (2016).
Source 2: Setting the record straight: the cost of renewable versus coal-fired energy, Paul Semple, (February 2020).

President Cyril Ramaphosa stated that, as part of the IRP 2019, the Government will: open bid window 5 of the renewable energy IPPs and work with producers to accelerate the completion of window 4 projects; and negotiate supplementary PPAs to acquire additional capacity from existing wind and solar plants. The timing of the above initiatives is however uncertain.

Transition from coal to renewables in South Africa

Currently, South Africa is coal reliant, with 73% of primary energy sourced from the legacy energy source. Its importance to the economy is due to its abundance and historically low cost. The IDDRI[18] and Climate Strategies, through the Energy Research Centre at the University of Cape Town, posits that long-term sustainable growth and development will depend on a transition away from a coal intensive energy system[19]. Calls for this transition were outlined in a 1998 White Paper and have picked up momentum in recent times. The coal sector in South

[17] Independent Power Producers Procurement Programme (IPPPP) An Overview (March 2019)
[18] "L'Institut du développement durable et des relations internationals" or Institute for Sustainable Development and International Relations
[19] Coal transitions in South Africa – Burton, Caetano, McCall - IDDRI & Climate Strategies (2018)

Africa faces increased costs, energy security risks, export demand risks and low local demand for growth. South Africa is in the early stages of the transition away from coal.

A shift away from coal (and closure of certain coal fired power station) is likely to have significant socio-economic effects including job losses in power stations, coal mines and the coal transport sector; declining revenues for municipal governments; and secondary economic effects on local economies[20]. Therefore, South Africa (and any other nation in transition) needs to manage the challenges of a "just transition" to ensure social acceptance and that poverty and inequality is not deepened.

Discussions about South Africa moving away from coal have so far remained technical and have tended to focus on the macro level. Specific policies to enable a stable, just transition have not specifically been outlined by the South African Government.

Renewables market outlook in South Africa

In March of 2020, the National Energy Regulator of South Africa (NERSA), published two draft determinations soliciting feedback on South Africa's Energy Minister's plans for the procurement of additional energy capacity. Section 34(1) of South Africa's Electricity Regulation Act allows the minister of energy the discretion to decide when new generation capacity is necessary, as well as the sources of such electricity. The first paper relates to the procurement of 2 GW of capacity by 2022 while the second relates to the 2019 IRP and is seeking 11.8 GW of distributed energy capacity by 2027. The draft S34 determinations are the next steps in the procurement process after the announcement of the South African IRP 2019 on 18 November 2019. NERSA expects the public consultation process to take up to six months, with Round 5 of the REIPPPP starting after this process.

President Cyril Ramaphosa has stated that the South African Government will implement measures to fundamentally restructure the electricity industry, in order to achieve a secure supply of reliable, affordable and, ultimately, sustainable energy. In this regard, the President has: (i) confirmed the critical role of the Eskom to the country, the debilitating effects of load-shedding and the requirement for ongoing maintenance to ensure reliability of electricity supply; (ii) outlined measures to increase generation capacity outside of Eskom through the IRP 2019 and procurement of renewable energy (through bid window 5); and (iii) stated that Eskom will be divisionalised into three operating activities – generation, transmission and distribution – each of which will have its own board and management structures.

The timing and specific details of the above remain unclear.

Sub-Sahara renewable energy sector

The Sub-Saharan region encompasses 46 African nations located to the south of the vast Saharan dessert. This region is home to over one billion people. The countries of Tanzania, Mozambique, Kenya, Zambia and Ethiopia are of interest to Windlab and are home to 170 million[21] people who have inadequate access to electricity. The region is characterised by insufficient grid structure, inefficient generation capacity, demand surpassing growth and a lack of installed capacity.

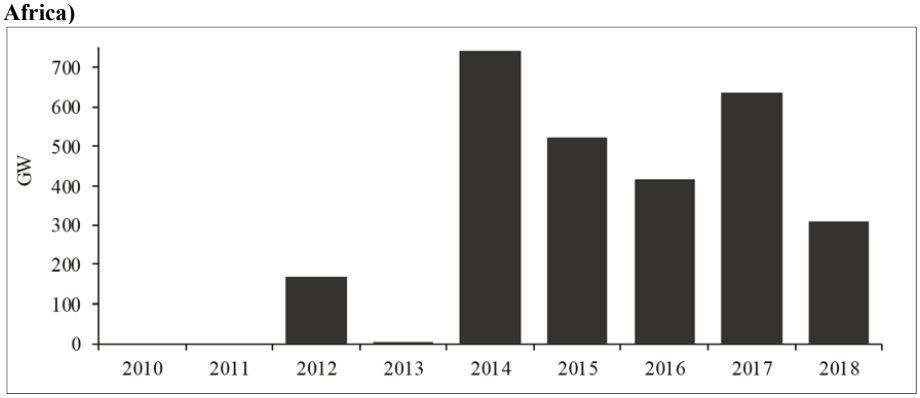
In 2018, $2.8 billion was expended on renewables projects in the region, which is $600 million more than in 2017[22]. Between 2009 and 2018, 47% of clean energy financing received was from

[20] The end of coal? Planning a "just transition" in South Africa
[21] Windlab Prospectus (2017)
[22] Sub-Saharan African Countries saw record spike in renewables investment in 2018 - Bloomberg NEF (February 2020)

foreign investors, mainly in the form of development finance, which is the use of public funds in countries where commercial and political risks are too high to attract private sector investment[23].

The figure below shows new onshore wind capacity additions in Sub-Saharan Africa from 2010 to 2018 (including South Africa). Onshore wind peaked in 2014 but reduced to 310 GW of capacity in 2018. Most of the added capacity from 2014 to 2017 came from South Africa.[24]

Figure 24: New onshore wind capacity additions in Sub-Saharan Africa (including South Africa)



Source: Bloomberg NEF – Sub-Saharan Africa Market Outlook 2020.

Nearly 30 sub-Saharan nations have set renewable targets. Mauritania is the only nation that has met its 2020 target, whilst many others remain below 50% of the target.

Most renewables capacity developed in Sub-Saharan Africa is backed by PPAs between a developer and off-taker. Payments made to developers for utility-scale projects are often distributed by public entities. It is common for case by case negotiations to take place following unsolicited proposals, which leads to high transactional costs. A lack of standardised documentation leads to high development costs[25]. In addition, the majority of the PPAs are for a period shorter than 15 years. .

[23] Emerging Markets Outlook 2019 - Climatescope
[24] Bloomberg NEF – Sub-Saharan Africa Market Outlook 2020
[25] Bloomberg NEF – Sub-Saharan Africa Market Outlook 2020

Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation

of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Market evidence

Trading evidence - renewable energy companies in Australia and New Zealand

The following table sets out the implied MW multiples for selected renewable energy companies in Australia and New Zealand.

Table 51: Sharemarket evidence – renewable energy companies in Australasia

Company	Country	Market capitalisation ($m)[1]	Installed Capacity (MW)[2]	Enterprise value ($m)[3]	MW Multiple[4]
Windlab	Australia	49	39	41	1.1
Renewable energy - Australia and New Zealand					
Meridian Energy	New Zealand	10,087	3,047	11,649	3.8
Infratil	New Zealand	2,597	1,152	6,924	6.0
Tilt Renewables	New Zealand	1,325	636	2,064	3.2
Infigen Energy	Australia	437	557	1,006	1.8
New Energy Solar	Australia	360	772	359	0.5
Genex Power	Australia	58	50	170	3.4
NZ Windfarms	New Zealand	35	46	41	0.9
Renewable energy - Australia and New Zealand (mean)					**2.8**
Renewable energy - Australia and New Zealand (median)					**3.2**

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, Company wesbsite, KPMG Corporate Finance Analysis.
Note 1: Market capitalisation is calculated using closing prices on 1 April 2020 other than for Windlab.
Note 2: Installed capacity is the maximum output of power achievable from a power generator.The megawatt is typically used to quantify a power generator's installed capacity, which is equivalent to 1,000,000 watts. The installed capacity was sourced from the latest public information available (company financial statements, company announcements or company websites).
Note 3: Enterprise value is market capitalisation plus net debt, preferred equity and minority interest less equity accounted investments (using latest reported balance sheet information or market value where possible).
Note 4: MW multiple is enterprise value divided by installed capacity.

The multiples are based on share market prices as at 1 April 2020, other than for Windlab calculated as at 17 January 2020 (being the last trading day prior to the announcement of the Indicative Offer) and do not typically include a control premium. A brief description of each company is outlined below.

Description of companies - renewable energy companies in Australian and New Zealand

Windlab Limited: The profile of Windlab is described in Section 7 of this report.

Meridian Energy Limited: Meridian Energy Limited engages in the generation, trading, and retail of electricity. The company generates electricity primarily through water and wind resources. It operates seven hydro stations and five wind farms in New Zealand; owns and operates two wind farms in Australia; and a solar farm in Tongatapu, Tonga. The company sells its electricity to residential, business, and industrial customers under the Meridian and Powershop brands. It also provides management, insurance, financing, professional, trustee, and software development services, as well as holds licenses. The company was incorporated in 1998 and is based in Wellington, New Zealand.

Infratil Limited: Infratil Limited owns and operates infrastructure and utility businesses and investments in New Zealand, Australia, and the United States. The company generates electricity from hydro and wind farms, as well as offers retailing, electricity, natural gas, bottled LNG, and telecommunication services. It also engages in the development of utility-scale wind and solar generation throughout North America; and the provision of outsourced data centre services to government and commercial entities. Further, it owns and operates 22 hydro power stations with a total installed capacity of 516 MW; has 280,000 electricity customer connections, 31,500 gas customer connections, and 65,000 telecommunications customer

connections; and has 322 operating turbines in 8 wind farms with a total installed capacity of 636MW. The company was founded in 1994 and is based in Wellington, New Zealand.

Tilt Renewables Limited: Tilt Renewables Limited, together with its subsidiaries, develops, owns, and manages renewable energy generation assets. It generates electricity from renewable energy sources, such as wind and solar energy sources. The company owns 440 MW of wind generation assets in Australia and 196 MW of wind generation assets in New Zealand. It also offers financial services. The company is headquartered in Melbourne, Australia. Tilt Renewables Limited is a subsidiary of Infratil Limited.

Infigen Energy Limited: Infigen Energy Limited develops, owns, and operates renewable energy generation assets in Australia. It has 557 MW of installed generation capacity in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,100 MW of wind and solar projects in Australia. Infigen Energy Limited was founded in 2003 and is headquartered in Sydney, Australia.

New Energy Solar Limited: New Energy Solar Limited acquires, owns and manages large scale solar generation facilities. The firm may also invest in other renewable energy assets including wind, geothermal, hydro-electricity, hybrid solutions and owns and manages large scale solar generation facilities. New Energy Solar Limited was established in 2015 and is based in Sydney, Australia.

Genex Power Limited : Genex Power Limited engages in the generation and storage of renewable energy in Australia. It generates power through hydro and solar projects. The company was formerly known as Allied Resources Limited and changed its name to Genex Power Limited in August 2013. Genex Power Limited was incorporated in 2011 and is based in Sydney, Australia.

NZ Windfarms Limited : NZ Windfarms Limited generates and sells electricity to the national grid in New Zealand. It operates the Te Rere Hau wind farm, a 46 MW wind farm located in the North Range road in the Taraua Ranges. The company was incorporated in 2002 and is based in Palmerston North, New Zealand.

Trading evidence – international wind energy companies

The following table sets out the implied MW multiples for selected international wind energy companies.

Table 52: Sharemarket evidence – international wind energy companies

Company	Country	Market capitalisation[1] ($m)	Installed Capacity (MW)[2]	Enterprise value ($m)[3]	EV($m)/ MW[4]
International - Wind energy					
Ørsted	Denmark	65,360	7,817	74,541	9.5
Siemens Gamesa	Spain	16,356	9,492	16,052	1.7
EDP Renováveis	Portugal	16,391	11,362	25,447	2.2
Greencoat Renewables	Ireland	1,298	462	1,745	3.8
PNE	Germany	545	1,600	752	0.5
Energiekontor	Germany	470	287	761	2.7
Alerion Clean Power	Italy	414	468	1,003	2.1
Arise AB	Sweden	156	139	279	2.0
Athena Investments	Denmark	89	57	38	0.7
International - Wind energy (mean)					**2.8**
International - Wind energy (median)					**2.1**

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, Company wesbsite, KPMG Corporate Finance Analysis.

Note 1: Market capitalisation is calculated using closing prices on 1 April 2020 other than for Windlab.
Note 2: Installed capacity (described above) was sourced from the latest public information available (company financial statements, company announcements or company websites).
Note 3: Enterprise value (described above).
Note 4: MW multiple (described above).

The multiples are based on share market prices as at 1 April 2020 and do not typically include a control premium. A brief description of each company is outlined below.

Description of companies - international wind energy companies

Ørsted A/S : Ørsted A/S, together with its subsidiaries, develops, constructs, and operates offshore wind farms, bioenergy plants, and waste-to-energy solutions. It operates through Offshore, Onshore, and Market & Bioenergy segments. The Offshore segment develops, constructs, owns, and operates offshore wind farms in the United Kingdom, Germany, Denmark, the Netherlands, the United States, and Taiwan. The Onshore segment develops, constructs, owns, and operates onshore wind and solar farms in the United States and a storage solution in the United Kingdom. The Market & Bioenergy segment engages in the generation of heat and power from combined heat and power plants in Denmark, sale of power and gas in wholesale and retail markets, and distribution of power in Denmark, as well as optimization and hedging of energy portfolio. The company was formerly known as DONG Energy A/S and changed its name to Ørsted A/S in November 2017. Ørsted A/S was founded in 1972 and is headquartered in Fredericia, Denmark.

Siemens Gamesa Renewable Energy, S.A. : Siemens Gamesa Renewable Energy, S.A., together with its subsidiaries, engages in the development and construction of wind farms. It is involved in the engineering, design, production, and sale of wind turbines and related components. It operates through two segments, Wind Turbines and Operation and Maintenance. The Wind Turbines segment offers wind turbines for various pitch and speed technologies, as well as provides development, construction, and sale of wind farms. The Operation and Maintenance segment engages in the management, monitoring, and maintenance of wind farms. It operates in approximately 90 countries, with a total capacity base of over 94 gigawatts. The company was formerly known as Gamesa Corporación Tecnológica, Sociedad Anónima and changed its name to Siemens Gamesa Renewable Energy, S.A. in May 2017. The company was founded in 1976 and is headquartered in Zamudio, Spain. Siemens Gamesa Renewable Energy, S.A. operates as a subsidiary of Siemens Aktiengesellschaft.

EDP Renováveis, S.A. : EDP Renováveis, S.A., a renewable energy company, plans, constructs, and maintains electricity production facilities primarily in Spain. The company operates wind farms and solar plants to generate and deliver clean electricity. It also has operations in Portugal, Belgium, France, Italy, the Netherlands, Poland, Romania, the United Kingdom, Greece, the United States, Canada, Mexico, and Brazil. The company was incorporated in 2007 and is headquartered in Madrid, Spain. EDP Renováveis, S.A. is a subsidiary of EDP-Energias de Portugal, S.A.

Greencoat Renewables PLC : Greencoat Renewables PLC invests in, acquires, operates, and manages wind farms. It operates wind farms with an aggregate capacity of approximately 462 MW in Ireland. The company was incorporated in 2017 and is based in Dublin, Ireland. Greencoat Renewables PLC is a subsidiary of BRI Wind Farms 3 Limited.

PNE AG : PNE AG engages in the development, planning, realisation, financing, operation, and sales of wind farms and transformer stations in Germany and internationally. The company develops, constructs, and sells offshore and onshore wind farms under the PNE and WKN brand names, as well as photovoltaics; provides technical and commercial operational management services for wind farms and transformer stations; and produces electricity from wind and timber biomass resources. It is also involved in the development of power-to-gas and hybrid solutions.

The company was formerly known as PNE WIND AG and changed its name to PNE AG in June 2018. PNE AG was founded in 1994 and is headquartered in Cuxhaven, Germany.

Energiekontor AG : Energiekontor AG, a project developer, engages in the planning, construction, and operation of wind and solar parks in Germany and internationally. It owns and operates wind farms and a solar park with a total rated power of approximately 287 MW. The company was founded in 1990 and is headquartered in Bremen, Germany.

Alerion Clean Power S.p.A. : Alerion Clean Power S.p.A. engages in the production of electricity through wind power in Italy. It has wind power plants located in Bulgaria and in Spain. The company is based in Milan, Italy. Alerion Clean Power S.p.A. is a subsidiary of FRI-EL Green Power S.p.A.

Arise AB (publ): Arise AB (publ), together with its subsidiaries, operates in the onshore wind power sector. The company operates through Own Wind Power Operations, Co-Owned Wind Power Operations, and Development and Management segments. It develops, builds, operates, and manages wind farms. The company operated a portfolio of managed wind power approximately 1000 MW in Sweden and Norway. It also co-owns the Jädraås project that includes 66 wind turbines with a total installed capacity of 203 MW. The company was formerly known as Arise Windpower AB (publ) and changed its name to Arise AB (publ) in June 2013. Arise AB (publ) was founded in 2006 and is headquartered in Halmstad, Sweden.

Athena Investments A/S: Athena Investments A/S develops, constructs, and operates renewable energy projects primarily in Italy and Spain. The company focuses on the wind and solar power technologies. As of December 31, 2018, it had a total gross installed capacity amounted to 263 MW, which included 222 MW of wind farms and 41 MW of solar plants. The company was formerly known as Greentech Energy Systems A/S and changed its name to Athena Investments A/S in December 2017. The company was founded in 1924 and is based in Copenhagen, Denmark. Athena Investments A/S is a subsidiary of GWM Renewable Energy II S.r.l.

Trading evidence – asset management companies in Australia

The following table sets out the implied EBITDA multiples and EBITDA margins for selected asset management companies in Australia.

Table 53: Sharemarket evidence – asset management companies in Australia

Company	Country	Market capitalisation ($m)[1]	Enterprise value ($m)[2]	EBITDA margin (FY)	EBITDA multiple (FY)[3]	EBIT margin (FY)	EBIT multiple (FY)[4]
Australia - Asset Management							
Downer EDI	Australia	1,997	4,447	6.4%	5.4	3.8%	9.1
Monadelphous	Australia	1,011	933	6.9%	9.2	5.6%	11.4
Lycopodium	Australia	158	56	6.4%	5.7	5.6%	6.6
Cardno	Australia	112	280	4.1%	5.2	2.0%	10.4
Southern Cross	Australia	109	61	6.0%	2.6	4.9%	3.2
GR Engineering Services	Australia	108	92	5.7%	8.8	4.9%	10.2
Asset management - Australia (mean)				**5.9%**	**6.2**	**4.5%**	**8.5**
Asset management - Australia (median)				**6.2%**	**5.6**	**4.9%**	**9.7**

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, Company wesbsite, KPMG Corporate Finance Analysis.
Note 1: Market capitalisation is calculated using closing prices on 1 April 2020 other than for Windlab.
Note 2: Enterprise value (described above).
Note 3: Represents the implied enterprise value divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
Note 4:Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA less depreciation and amortisation.

The multiples are based on share market prices as at 1 April 2020. A brief description of each company is outlined below.

Description of companies – asset management companies in Australia

Downer EDI Limited: Downer EDI Limited operates as a services provider in Australia, New Zealand, the Asia-Pacific, South America, and Southern Africa. Its Transport segment provides road network management and road, asset management, spray sealing and various other transport services. The company's Utilities segment plans, designs, constructs, operates, maintains, manages, and decommissions power and gas network assets; provides water and wastewater treatment, and network construction and rehabilitation services; and designs, constructs, and maintains renewable assets in the wind, solar, and power system storage sectors. This segment also offers technology and communications solutions, including design, civil construction, network construction, operation, and maintenance services for fiber, copper and radio networks. Its Facilities segment offers outsourced facility, catering and laundry, technical and engineering, and maintenance and asset management services, as well as refrigeration solutions. The company's Engineering, Construction and Maintenance segment provides design, engineering, construction, shutdown, turnaround and outage delivery, operation, maintenance, and ongoing management services for various projects; and designs and manufactures mineral process equipment. The company is headquartered in Sydney, Australia.

Monadelphous Group Limited : Monadelphous Group Limited, an engineering group, provides construction, maintenance, and industrial services to the resources, energy, and infrastructure sectors in Australia, New Zealand, Mongolia, and internationally. It operates through Engineering Construction, and Maintenance and Industrial Services divisions. The company offers large-scale multidisciplinary project management and construction services, including construction management and execution; civil and electrical construction packages as well as other services It also provides multidisciplinary maintenance and improvement solutions, such as structural, mechanical, piping, electrical and instrumentation, and civil maintenance services, as well as minor capital works, shutdowns, and operations and facilities management services. It was founded in 1972 and is headquartered in Perth, Australia.

Lycopodium Limited : Lycopodium Limited provides engineering consultancy services in the mining, metallurgical, rail, and manufacturing industries. It operates through four segments: Mineral, Process Industries, Project Services-Africa, and Others. The company provides engineering, project development, and related services to junior exploration companies and multinational producers; design, engineering, and project management solutions to the manufacturing and renewable energy facilities in Australia and South East Asia; and engineering, asset management, architecture, and project delivery services to private and public clients in Australia. Lycopodium Limited was founded in 1992 and is based in Perth, Australia.

Cardno Limited: Cardno Limited, a professional infrastructure and environmental services company, engages in the development and improvement of physical and social infrastructure for communities worldwide. The company's Asia Pacific Engineering and Environmental segment provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic, and transport engineering as well as asset management. Its Americas Engineering and Environmental segment delivers expertise to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings, and management services sectors. The company's International Development segment designs and implements large-scale sustainable solutions for development assistance agencies and private clients. It was founded in 1945 and is headquartered in Fortitude Valley, Australia.

Southern Cross Electrical Engineering Limited : Southern Cross Electrical Engineering Limited provides electrical, instrumentation, communication, and maintenance services in Australia. It offers electrical and instrumentation (E&I) construction services, which installs and commissions greenfield and brownfield upgrade projects in metropolitan, remote, and challenging environments. The company also provides fixed plant E&I construction; distribution and transmission line installation; substations, transformer, and switchyard installations; HV, LV control, instrument, and communication cabling and terminations as well as other services It offers E&I services and maintenance, including brownfields operational support, programed and breakdown maintenance, planned shutdown management, and sustaining capital project development; and in-house design and construct capability, asset life cycle management, hazardous area auditing and verification, procurement, and inspection and testing services. The company was founded in 1978 and is headquartered in Perth, Australia.

GR Engineering Services Limited: GR Engineering Services Limited operates as an engineering, consulting, and contracting company that provides engineering design, procurement, and construction services to the mining and mineral processing industries in Australia and internationally. The company operates through two segments, Mineral Processing, and Oil and Gas. It provides project management services, including project studies, engineering and procurement, construction and commissioning, asset management plans and system development, operations and technical support, and infrastructure development services. The company's services include the design and construction of minerals processing facilities and related infrastructure for greenfield or brownfield projects, such as plant modifications, upgrades, and expansions; plant evaluation and condition reports; plant operations, and maintenance support and optimization; and plant relocation, refurbishment, and recommissioning, as well as engages in the provision of owners representatives and teams for project management and delivery, and asset management services. Its services also comprise engineering and process design consulting services; and feasibility studies comprising scoping, pre-feasibility, and definitive engineering studies. In addition, the company offers operations, maintenance, advisory, and well management services to the oil and gas sector. GR Engineering Services Limited was founded in 1986 and is based in Ascot, Australia.

Appendix 6 – Transaction evidence

Transaction evidence – operating wind farms

The following table sets out a summary of selected transactions evidence for Australian operating wind farms.

Table 54: Transaction evidence – operating wind farms in Australia

Date	Target	Country of Target	Acquired %	Installed Capacity (MW)[1]	Implied Enterprise Value[2] ($m)	EV ($m)/ MW[3]
Operating Wind Farms						
Dec-19	Snowtown 2 Wind Farm	Australia	100%	270	1,073	4.0
Oct-19	Macarthur Wind Farm	Australia	50%	420	714	1.7
Oct-16	Tilt Renewables	Australia	100%	582	662	1.1
Jul-16	Cullerin Range Wind Farm	Australia	100%	30	72	2.4
Mar-16	Taralga Wind Farm	Australia	100%	107	300	2.8
Jan-16	Pacific Hydro	Australia	100%	900	3,000	3.3
Sep-15	Macarthur Wind Farm -1	Australia	50%	420	1,064	2.5
Jun-13	Macarthur Wind Farm -2	Australia	50%	420	1,318	3.1
Operating Wind Farms (mean)						**2.4**
Operating Wind Farms (median)						**2.5**

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, Company wesbsite, KPMG Corporate Finance Analysis.
Note 1: Installed capacity is (described above) was sourced from the latest public information available (company financial statements, company announcements or company websites).
Note 2:Implied enterprise value represents consideration plus net borrowings assumed and displayed in millions of AUD.
Note 3:MW multiple is implied enterprise value divided by installed capacity.
Note 4:Outliers (shaded) have been excluded from the mean and median.

Description of transactions - operating wind farms

A brief description of the selected comparable transactions with available MW multiples is provided below.

Snowtown 2 Wind Farm: On 17 December 2019, funds managed by Palisade Investment Partners Limited and First State Super entered into an agreement to acquire 270 MW Snowtown 2 wind farm of Tilt Renewables Limited for AUD 1.1 billion. The annual output of the combined Snowtown Wind Farm is 1,232GWh of renewable energy.

Macarthur Wind Farm: On 29 October 2019, AMP Capital, on behalf of its Core and Community Infrastructure funds, purchased 50% of the 420 MW Macarthur wind farm from Malakoff Corporation Berhad. The transaction was entered into through a conditional share and unit purchase agreement for a cash consideration of AUD $356.85 million. The 420 MW Macarthur wind farm is located in Victoria, Australia and has been operating since January 2013.

Tilt Renewables: On 31 October 2016, TrustPower Limited spun off its Australia and New Zealand wind assets, creating two separate entities, one of which was Tilt Renewables. Post transaction, Tilt Renewables held Trustpower's Australian and New Zealand wind generation assets and its wind and solar development projects. On 1 November 2016, each Trustpower shareholder received one new Trustpower share and one Tilt Renewables share for each Trustpower share held. Tilt Renewables had operating wind assets of 582 MW in Australia and New Zealand at the time of the transaction.

Cullerin Range Wind Farm: On 17 June 2016, Energy Developments Ltd, a subsidiary of DUET Group, agreed to acquire Cullerin Range Wind Farm Pty Ltd from Origin Energy

Limited for $72 million in cash. Energy Developments completed the acquisition on 13 July 2016. Cullerin Range Wind Farm is located in Gunning, near Canberra and has an installed capacity of 30 MW. It was commissioned in 2009.

Taralga Wind Farm: On 6 May 2016, China State Power Investment Corporation the state-owned China based power company, acquired the 106.8 MW Taralga Wind Farm from Banco Santander for $300 million. Taralga Wind Farm began construction in 2013 and was commissioned in 2015. At the time of the sale it had a 10 year PPA with Energy Australia.

Pacific Hydro: On 28 January 2016, State Power Investment Corporation, the state-owned China based power company, agreed to acquire Pacific Hydro Limited, the Australia based energy company with hydroelectric and wind generation facilities in Australia, Chile and Brazil, from Industry Funds Management Pty Ltd (IFM), the Australia-based private equity firm, via auction for a consideration of minimum $3.0 billion.

Macarthur Wind Farm -1: On 7 September 2015, H.R.L. Morrison & Co managed funds acquired a 50% stake in Macarthur Wind Farm Pty Ltd and a 50% stake in MWF Finance Pty Ltd from AGL Energy Limited for $532 million. HRL Morrison funded the transaction by a combination of Morrison & Co managed equity and project finance debt. The 420 MW Macarthur wind farm is located in Victoria, Australia and has been operating since January 2013.

Macarthur Wind Farm -2: On 28 June 2013, Malakoff International Limited acquired Meridian Wind Macarthur Holdings Pty Ltd from New Zealand state owned Meridian Energy Australia Pty Ltd and Three River Holdings No. 2 Limited. The transaction valued the wind farm project at $1,318 million. The 420 MW Macarthur wind farm is located in Victoria, Australia and has been operating since January 2013.

Transaction evidence – wind farms under development

The following table sets out a summary of selected transactions evidence for Australian wind farms under development.

Table 55: Transaction evidence – wind farms under development in Australia

Date	Target	Country of Target	Acquired %	Installed Capacity (MW)[1]	Implied Enterprise Value[2] ($m)	EV ($m)/ MW[3]
Developing Wind Farms						
Jan-20	Stockyard Hill Wind Farm -1	Australia	49%	527	1,100	2.1
Jul-19	Yandin Wind Farm	Australia	70%	214	76	0.4
May-17	Stockyard Hill Wind Farm -2	Australia	100%	527	110	0.2
Jun-16	Mt Emerald Wind Farm	Australia	50%	180	20	0.1
Developing Wind Farms (mean)						**0.7**
Developing Wind Farms (median)						**0.3**

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, Company wesbsite, KPMG Corporate Finance Analysis.
Note 1: Installed capacity (described above) was sourced from the latest public information available (company financial statements, company announcements or company websites).
Note 2: Implied enterprise value (described above).
Note 3: MW multiple (described above).
n/a: information is not available.

Description of transactions - wind farms under development

A brief description of the selected comparable transactions with available MW multiples is provided below.

Stockyard Hill Wind Farm -1 : On 13 January 2020, Goldwind International Holdings (HK) Limited acquired a 49% stake in Stockyard Hill Wind Farm. Stockyard Hill is a large greenfield development with a capacity of approximately 527 MW. At the time of the transaction, Stockyard Hill Wind Farm was under construction with operations expected to start within 5 to 6 months. The company was incorporated in 2006 and is based in Melbourne, Australia.

Yandin Wind Farm: On 26 July 2019, RATCH Group Public Company acquired 70% of common shares in Yandin wind farm from Renewable Energy Investment Fund Unit Trust, a subsidiary of Alinta Energy. RATCH paid $53.3 million and made the acquisition through its wholly-owned indirect subsidiary RATCH-Australia. Yandin Wind Farm is located 150km north of Perth, Australia and was in the construction phase at the date of the transaction. The 214 MW project has a 15 year PPA with Alinta sales.

Stockyard Hill Wind Farm -2 : On 5 May 2017, Goldwind International Holdings (HK) Limited and Xinjiang GoldWind Science & Technology Co., Ltd. entered into the share sale agreement to acquire Stockyard Hill Wind Farm Pty Ltd from Wind Power Pty Ltd, a subsidy of Origin Energy Limited, for $110 million. Upon announcement, Origin Energy committed to a 530 MW long-term (2019 to 2030) PPA with the new owners. Stockyard Hill is a large greenfield development with a capacity of approximately 527 MW. The company was incorporated in 2006 and is based in Melbourne, Australia

Mt Emerald Wind Farm: On 28 June 2016, RATCH, Australia Corporation Limited signed a share purchase agreement to acquire the remaining 50% stake in Mount Emerald Wind Farm Pty Ltd from Port Bajool Pty Ltd for $10 million. Mount Emerald is a 180 MW wind farm in North Queensland, Australia. The project was in the development stage at the time of the transaction and has since been constructed and is now operational.

Appendix 7 – Discount rate used for wind farm operations

Where cash flow forecasts consist of free cash flows to equity holders, the cost of equity is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analyses, we have adopted the following base cost of equity discount rates for Windlab's wind farm operations located in the following geographies:

- ***Australian operating assets:*** 6.8% to 7.8%
- ***South African operating assets:*** 14.0% to 15.2%
- ***North American operating assets:*** 5.9% to 6.8%.

We consider these rates appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with an operating wind farm.

The selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting appropriate discount rates to apply to the cash flows of each of the Windlab assets, we have determined a nominal discount rate to align with the forecast nominal geared cash flows being used to derive the resultant DCF value.

Cost of equity (Ke)

The cost of equity can be derived using a modified Capital Asset Pricing Model (CAPM) as follows:

$Ke = Rf + ß * (Rm - Rf) + \alpha$

Where the key inputs are defined in the table below.

Table 56: Cost of equity parameters

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
β	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance Analysis.

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a cost of equity for each of Windlab's assets is discussed below.

Risk free rate (Rf)

The risk free rate of return is the return on a risk free security, typically for a long-term period. In practice, long dated Government bonds are accepted as a benchmark for a risk free security.

However, since the global financial crisis in 2008, Government bond yields have remained low compared to long-term averages. Combined with market evidence which indicates that bond yields and the MRP are strongly inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the MRP. As we adopt a long-term view on the MRP (rather than spot), it is also important to do the same with the risk free rate to ensure the combination of the risk free rate and MRP represents an appropriate return in the current investment environment.

Consequently, the risk free rate for Australia and the Unites States has been selected by reference to both the current spot yield and long-term forecast yields on long-term Government bonds sourced from various economic forecast providers. Whilst government bond yields have declined over the first quarter of 2020 due to COVID-19 and macroeconomic uncertainty our selected blended risk free rate calculations include a premium that offsets that reduction. More specifically:

Australia

We have adopted 3.1% as an appropriate risk free rate, which represents a blend of the 10 year Commonwealth Government bond yield and a forecast long-term bond yield based on long-term bond yields sourced from various economic forecasters.

United States

We have adopted 2.4% as an appropriate risk free rate, which represents a blend of the 30 year US Treasury constant maturity and a forecast long term bond yield of sourced from economic forecasters.

South Africa

For South Africa, we have used an AUD risk free rate as a starting point since Windlab's reporting currency is the AUD. To this, we have added an inflation differential to take into account foreign exchange risk where cash flows are generated in a currency other than AUD.

We have also included a country risk premium to reflect the risk (e.g. political, legislative, tax, default, etc.) associated with a different risk and economic environment than Australia.

Inflation differential (iΔ)

As the risk free rate is based on AUD denominated Commonwealth Government bonds and the forecast cash flows of certain Windlab assets are denominated in South African Rand, we have added an inflation differential of 3.1% between the AUD and the South African Rand to the AUD risk free rate of 3.1%. The inflation differential is sourced from Economist Intelligence Unit and the International Monetary Fund.

Country risk premium (CRP)

The risk premium derived from the CAPM does not account for higher risks, including political, legislative, tax and default risks, associated with less developed capital markets relative to a mature capital market such as the Australian capital market. To incorporate the local country risks in the valuation, a country risk premium (CRP) is added in the estimation of the local cost of equity for less developed countries in line with the assumptions of the CAPM, whilst AAA rated countries have a CRP of zero by definition.

Depending on the nature (in terms of currency, liquidity and tenor) of the government bonds available in each respective country, the CRP is determined in either of the ways further outlined below. Due to its mature and liquid capital market in combination with factual absence of default risk, government bonds of the United States are used as benchmark bonds.

- **spread in yield of government bonds:** the CRP is determined with reference to the spread in the yield maturity of US dollar denominated Government bonds of the respective local country and US benchmark bonds with equal time to maturity
- **spread in yield of countries with same credit rating:** if the spread in yields of government bonds is not directly observable due to the lack of comparable local government bond issuance, the CRP is determined with reference to comparable spreads in the yield to maturity of US dollar denominate Government bonds of countries with the same credit rating as the respective country.

In assessing an appropriate CRP, a longer term average of the yield spread between comparable local and benchmark Government bonds is typically considered to better reflect the mid to long-term character of the CRP, to avoid short term volatility influences and to improve the statistical quality of the model.

Based on our analysis, a CRP of 2.8% is regarded as appropriate by KPMG Corporate Finance for South Africa. The bond yields utilised in calculating the CRP are source from Bloomberg.

As summarised in the table below, a total risk free rate of 9.0% was selected for South Africa.

Table 57: South African risk free rate

Input	Description	Parameter
Rf	AUD risk free rate	3.1%
iΔ	Inflation differential	3.1%
CRP	Country risk premium	2.8%
Rf	**South African risk free rate**	**9.0%**

Source: KPMG Corporate Finance Analysis.

Market Risk Premium (MRP)

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets (such as Government bonds). In this context, the required MRP needs to be distinguished from the historical MRP and the expected MRP. In this regard, asset pricing theory holds that:

- the required MRP forms part of the CAPM
- the historical MRP is the same for all investors and reflects the historical differential return of the stock market over Government bonds, and
- the expected MRP reflects the expected differential return of the stock market over Government bonds. The CAPM assumed the required equals the expected MRP.

As it is difficult to observe the expected/ required MRP, it is common practice to base the estimate of the MRP upon historical data. In doing so, it is noted that long term averages may not, in our opinion, reflect market conditions and investor sentiment at any specific valuation date as perceptions that equities are more or less risky than other at other times may prevail. In this regard, we note that the expected MRP is a function of expected earnings, the expected growth in those earnings and the risk free rate of return at any given point in time.

Therefore, consistent with our approach to the risk free rate, we have applied a long term view in setting the MRP. In this regard, we regard the following MRP as appropriate:

Australia – 6.0%

United States – 5.5%

South Africa - 6.0%, which is the MRP applicable to Australia as we have used an AUD risk free rate as a base currency.

Beta (β)

In selecting an appropriate unlevered beta to apply to Windlab's wind farm operations, KPMG Corporate Finance has considered betas for selected listed Australian and New Zealand renewable energy companies and selected listed international wind energy companies as provided in the table below.

Table 58: Betas and financial gearing for selected listed companies

Company	Country	Market Cap[1] ($m)	Unlevered beta 2-year weekly	Debt to equity[2] 2-year avg	Unlevered beta 5-year monthly	Debt to equity[2] 5-year avg
Windlab	Australia	64	0.64	0%	n/a	n/a
Australia and New Zealand - Renewable energy						
Meridian Energy	NZ	10,086	0.81	16%	n/a	n/a
Infratil	NZ	2,597	0.58	82%	0.70	81%
Tilt Renewables	NZ	1,325	0.52	65%	n/a	n/a
Infigen Energy	Australia	437	0.64	114%	0.69	143%
New Energy Solar	Australia	360	0.51	0%	n/a	n/a
Genex Power	Australia	58	0.58	132%	n/a	n/a
NZ Windfarms	NZ	35	0.46	23%	0.58	27%
Mean			**0.59**	**72%**	**0.70**	**84%**
Median			**0.58**	**74%**	**0.70**	**81%**
International - Wind energy						
Ørsted	Denmark	65,361	0.81	13%	n/a	n/a
Siemens Gamesa	Spain	16,356	0.96	0%	n/a	n/a
EDP Renováveis	Portugal	16,391	0.73	39%	0.66	46%
Greencoat Renewables	Ireland	1,298	0.39	43%	n/a	n/a
PNE AG	Germany	545	0.68	23%	0.51	59%
Energiekontor	Germany	470	0.54	74%	0.34	85%
Alerion Clean Power	Italy	414	0.30	133%	0.31	150%
Arise AB	Sweden	156	0.52	135%	0.37	179%
Athena Investments	Denmark	89	0.52	77%	0.28	127%
Mean			**0.61**	**75%**	**0.44**	**108%**
Median			**0.54**	**74%**	**0.37**	**106%**

Source: S&P Capital IQ, KPMG Corporate Finance Analysis.
Notes:

1. *Market capitalisation is at 1 April 2020, converted to AUD as at the same date based on prevailing spot prices (where relevant).*
2. *Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 1 April 2020.*
3. *Where a company does not have any interest bearing debt or the resultant net debt figure is negative, the debt to equity value ratio has been recorded as 0%.*
4. *Outliers (shaded) have been excluded from the mean and median. For debt to equity, outlier have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels.*
5. *n/a: represents not available or not statistically significant.*
6. *NZ: New Zealand.*

We have categorised the list of comparable companies into Australian and New Zealand renewable companies and international wind farm companies, reflecting the fact that different assets have varying risk profiles depending on, amongst other things, the location of the asset.

In selecting an appropriate unlevered beta for Windlab's wind farm operations, we have considered the following:

- we consider the Australian and New Zealand comparable companies to be more relevant given Windlab mainly operates in Australia
- we consider the two year betas to be more relevant than the five year betas given recent changes in the wind energy sector (i.e. grid connection issues, decline in electricity prices, decline in MLF factors, etc.) and given the low statistical significance of five year betas
- the two year unlevered betas for Australian and New Zealand renewable companies range from 0.46 to 0.81, with a mean and median of 0.59 and 0.58, respectively
- NZ Windfarms, Tilt Renewables and Infigen Energy are considered to be most comparable with Windlab given their focus on wind energy. Other Australian and New Zealand companies such as Meridian trade at higher multiples given the diversified nature of their product offering. The two year unlevered betas for these companies range from 0.52 to 0.64.

Taking into account the factors detailed above, KPMG Corporate Finance has selected an unlevered asset beta range of between 0.40 and 0.50 for Windlab's assets.

This range of betas is towards the low end of the range but consistent with betas implied in overall rates of return in the renewables sector.

We have adopted the same beta assumptions for Windlab's assets in Australia, the United States and South Africa.

Having determined an appropriate ungeared beta, it is necessary to "regear" the beta to a specified level of financial gearing to determine the equivalent beta.

Gearing

Australia

In assessing an appropriate gearing ratio (debt to equity ratio) for Windlab's Australian assets, we have considered the following:

- Windlab's target leverage of approximately 60% for Australian wind farm assets, which is equivalent to a debt to equity ratio of approximately 150%
- we consider the Australian and New Zealand comparable companies to be more relevant given Windlab mainly operates in Australia
- we consider the two year debt to equity ratios to be more relevant than the five year debt to equity ratios given the low statistical significance of five year debt to equity ratios
- debt to equity ratios for Australian and New Zealand renewable companies are in the range of 16% to 132% over a two year period, with a mean and median of 72% and 74%, respectively.

Based on the above, we have selected an optimal debt to equity ratio of 80% for Windlab's Australian assets.

South Africa

In assessing an appropriate gearing ratio (debt to equity ratio) for Windlab's South African assets, we have considered the following:

- Windlab's target leverage of approximately 75% for South Africa wind farm assets, which is equivalent to a debt to equity ratio of approximately 300%
- we consider the international wind energy comparable companies to be more relevant given their exposure to multiple jurisdictions, including Africa
- debt to equity ratios for international wind energy companies are in the range of 23% to 135% over a two year period, with a mean and median of 75% and 74%, respectively
- debt to equity ratios for international wind energy companies are in the range of 46% to 179% over a five year period, with a mean and median of 108% and 106%, respectively.

Based on the above, we have selected an optimal gearing ratio of 150% for Windlab's South African assets.

United States

In assessing an appropriate gearing ratio (debt to equity ratio) for Windlab's assets in the United States, we have considered the following:

- Windlab's target leverage of approximately 60% for North American wind farm assets, which is equivalent to a debt to equity ratio of approximately 150%
- we consider the international wind energy comparable companies to be more relevant given their exposure to multiple jurisdictions, which are noted above

Based on the above, we have selected an optimal gearing ratio of 80% for Windlab's assets in the United States.

Corporate tax rate (t_c)

The following corporate tax rates have been applied to calculate the post-tax, nominal discount rates for Windlab's assets:

- Australia: 30% based on the Australian statutory corporate tax rate
- South Africa: 28% based on the South African statutory corporate tax rate
- United States: 21% based on the United States' statutory corporate tax rate.

Company specific risk premium

Specific risks of Windlab's assets have been captured in the risk profile analysis of each individual asset rather than the base discount rate for operating wind farms.

These risks include:

- construction risk: construction delays, higher than anticipated costs
- ramp-up risk: the level of generation versus the expected capacity, loss of generation revenue
- PPA counterpart risk: credit rating of the PPA counterparty
- merchant price risk: contracted versus uncontracted revenues in the current market environment, exposure to merchant price beyond the terms of the PPAs
- refinancing risk: ability to raise adequate funding, exposure to interest rate fluctuations.

Size premium

No adjustment has been made for size premium for the determination of the base discount rate for operating wind farms as the risk profile of each asset has been assessed separately, including consideration of the size of the respective assets.

Franking credits (Gamma)

For Windlab's operating assets, we have ascribed value to franking credits attached to the dividends paid and have assessed them as part of our DCF analysis and not within our discount rate calculation.

We are of the view that an appropriate utilisation rate for valuing franking credits, in the current market in relation to infrastructure assets where the valuation is undertaken based on the distributions received by investors, is 80%. This utilisation rate takes into account the potential for similar tax benefits that can be achieved from other mechanisms by foreign investors, the stability of the investment and the current transaction activity and observations in the marketplace.

Cost of equity conclusion – Operating Wind Farms (base discount rate)

The selected parameters result in the following calculated base case cost of equity for operating wind farms.

Table 59: Selected cost of equity parameters for operating wind farms

		Windlab Australia		Windlab South Africa		Windlab USA	
	Parameter	Low	High	Low	High	Low	High
Cost of equity							
Risk free rate (AUD nominal)	Rf	3.1%	3.1%	3.1%	3.1%	2.4%	2.4%
Country risk premium	CRP			2.8%	2.8%		
Long term inflation differential	Δi			3.1%	3.1%		
Adjusted risk free rate	Rfa	3.1%	3.1%	9.0%	9.0%	2.4%	2.4%
Equity market risk premium	EMRP	6.0%	6.0%	6.0%	6.0%	5.5%	5.5%
Ungeared beta	βa	0.40	0.50	0.40	0.50	0.40	0.50
Tax rate	T	30%	30%	28%	28%	27%	27%
Gearing (debt/equity)	D/E	80%	80%	150%	150%	80%	80%
Geared beta	βe	0.62	0.78	0.83	1.04	0.63	0.79
Company specific risk premium (alpha)	α	0%	0%	0%	0%	0%	0%
Calculated cost of equity (post-tax)	**Ke**	**6.8%**	**7.8%**	**14.0%**	**15.2%**	**5.9%**	**6.8%**
Mid-point	**Ke**	**7.3%**		**14.6%**		**6.3%**	

Source: S&P Capital IQ, KPMG Corporate Finance Analysis.

Australia assets

In consideration of the above, we have determining the following additional risk premiums for Australian assets.

Table 60: Additional risk premiums for Australian assets

Risk	Coonooer Bridge		Kiata		KEP		Lakeland	
Construction risk	n/a	Construction complete Fully operational since April 2016	n/a	Construction complete Fully operational since April 2016	✓	In construction phase Delays to commissioning (grid connection, GPS and registration as a generator)	✓	Construction has not started
Ramp-up risk	n/a	High performing wind farm High NCF of circa 48%	n/a	High performing wind farm High NCF of circa 48%	✓	Full generation has not yet been reached	✓	Project is not connected to the grid
PPA Counterparty risk	n/a	20 year PPA with ACT Government	n/a	5 year (with 5 year renewal) PPA with VIC Government	n/a	10 year PPA with CS Energy	✓	10 year draft PPA with Flow Power for 50% of electricity and signed PPA with Transurban for 20% of electricity Windlab is subject to the credit risk of the counterparties
Merchant pricing risk	✓	Subject to merchant risk post PPA period	✓	Subject to merchant risk post PPA period	✓	Subject to merchant risk post PPA period	✓	Subject to merchant risk post PPA period
Refinancing risk	✓	Uncertainty as to the level of debt and margin that will be secured refinancing	✓	Uncertainty as to the level of debt and margin that will be secured refinancing	✓	Uncertainty as to the level of debt and margin that will be secured refinancing	✓	Uncertainty as to the level of debt and margin that will be secured refinancing
Asset risk premium	**0.5%**		**0.8%**		**2.3%**		**4.0%**	

Source: KPMG Corporate Finance Analysis.

The selected additional risk premiums result in the following cost of equity for Windlab's Australian assets.

Table 61: Selected cost of equity for Windlab's Australian assets

Asset	Additional risk premium	Cost of equity		
		Low	High	Midpoint
Base cost of equity - Australian assets	n/a	**6.8%**	**7.8%**	**7.3%**
Calculated cost of equity				
Coonooer Bridge	0.5%	7.3%	8.3%	7.8%
Kiata	0.8%	7.6%	8.5%	8.1%
KEP	2.3%	9.1%	10.0%	9.6%
Lakeland	4.0%	10.8%	11.8%	11.3%
Selected cost of equity				
Coonooer Bridge	0.5%	7.0%	8.0%	7.5%
Kiata	0.8%	7.5%	8.5%	8.0%
KEP	2.3%	9.0%	10.0%	9.5%
Lakeland	4.0%	11.0%	12.0%	11.5%

Source: KPMG Corporate Finance Analysis.

South African assets

For the West Coast One project, no additional risk premium was applied to the base cost of equity calculated for a South African operating wind farm of 14.0% to 15.2%, based on the following considerations:

- the project has been fully operational since 2015
- the project is under a 20 year PPA with Eskom, a South African public utility
- Windlab holds a royalty agreement for 1% of the projects' gross revenue. As a result of its long term contracted revenues, the project's operations are stable, predictable and reasonably transparent.

Based on the above, we have selected a cost of equity of 14.0% to 15.0% for the West Coast One project, with a mid-point of 14.5%.

Assets in the United States

Windlab is expected to receive a success fee for two projects sold in the United States. The receipt of the success fee is subject to the projects actually reaching financial close.

For these two projects, we have applied and additional risk premium of 3.0% to the base cost of equity for an operating wind farm in the United States which caters for the construction risk and the uncertainty regarding the likelihood of these projects actually reaching financial close.

As summarised in the table below, we have selected a cost of equity of 9.0% to 10.0% for Windlab's North American assets, with a mid-point of 9.5%.

Table 62: Selected cost of equity for Windlab's assets in the United States

Asset	Additional risk premium	Cost of equity		
		Low	High	Midpoint
Base cost of equity - assets in the United States	n/a	**5.9%**	**6.8%**	**6.3%**
Calculated cost of equity	3.0%	8.9%	9.8%	9.3%
Selected cost of equity	3.0%	9.0%	10.0%	9.5%

Source: KPMG Corporate Finance Analysis.

Appendix 8 – Discount rate used for asset management operations

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analyses, we have adopted a WACC of 7.5% to 8.5% for Windlab's Australian asset management operations.

In selecting appropriate discount rates to apply to the cash flows of Windlab's asset management operations, we have determined a nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$\mathrm{WACC} = \mathrm{Wd} * \mathrm{Kd} * (1 - \mathrm{t}) + \left(\mathrm{We} * \mathrm{Ke} * \frac{1 - \mathrm{t}}{1 - \mathrm{t}}\right)$$

Table 63: WACC parameters

Parameter	Description
Kd	Pre-tax Cost of debt
Wd	Percentage of debt in capital structure
Ke	Pre-tax Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate

Source: *KPMG Corporate Finance Analysis.*

Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model as follows:

Ke = Rf + ß * (Rm - Rf) + α

WACC

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a WACC for Windlab's asset management operations is discussed below. Assumptions supporting the risk free rate, market risk premium and tax rate are discussed above.

Beta (β)

In selecting an appropriate unlevered beta to apply to Windlab's asset management operations, KPMG Corporate Finance has considered betas for selected listed Australian and international selected asset management companies as provided in the table below.

Table 64: Betas and financial gearing for selected listed companies

Company	Country	Market capitalisation ($m)	Unlevered beta 2-year weekly	Debt to equity 2-year avg	Unlevered beta 5-year monthly	Debt to equity 5-year avg
Australia - Asset Management						
Downer EDI	Australia	1,997	1.09	36%	1.22	26%
Monadelphous	Australia	1,011	1.15	0%	1.51	0%
Lycopodium	Australia	158	0.73	0%	0.86	0%
Cardno	Australia	112	0.53	23%	0.77	29%
Southern Cross	Australia	109	0.86	0%	0.97	0%
GR Engineering Services	Australia	108	0.61	0%	0.83	0%
Mean			**0.89**	**10%**	**1.08**	**9%**
Median			**0.86**	**0%**	**0.97**	**0%**
International - Asset Management						
ISS A/S	Denmark	4,071	0.85	38%	0.88	31%
ABM Industries	US	2,547	0.79	49%	0.81	32%
Serco Group	UK	2,959	0.77	27%	0.89	25%
GDI	Canada	699	0.79	30%	n/a	n/a
Mitie	UK	459	0.49	51%	1.07	35%
Mears	UK	280	0.56	39%	0.95	15%
Mean			**0.71**	**39%**	**0.92**	**28%**
Median			**0.78**	**39%**	**0.89**	**31%**

Source: S&P Capital IQ, KPMG Corporate Finance Analysis.
Notes:
1. *Market capitalisation is at 1 April 2020, converted to AUD as at the same date based on prevailing spot prices (where relevant).*
2. *Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 1 April 2020.*
3. *Where a company does not have any interest bearing debt or the resultant net debt figure is negative, the debt to equity value ratio has been recorded as 0%.*
4. *Outliers (shaded) have been excluded from the mean and median. For debt to equity, outlier have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels.*
5. *n/a: represents not available or not statistically significant.*
6. *UK: United Kingdom.*
7. *US: United States.*

In selecting an appropriate unlevered beta for Windlab's asset management operations, we have considered the following:

- we consider the Australian comparable companies to be more relevant given Windlab's current asset management contracts are all in relation to Australian assets
- we consider the two year betas to be more relevant than the five year betas the relatively low statistical significance of five year betas
- the two year unlevered betas for Australian asset management companies range from 0.61 to 1.15, with a mean and median of 0.89 and 0.86, respectively.

Taking into account the factors detailed above, KPMG Corporate Finance has selected an unlevered asset beta range of between 0.80 and 0.90 for Windlab's assets.

Having determined an appropriate ungeared beta, it is necessary to "regear" the beta to a specified level of financial gearing to determine the equivalent beta.

Gearing

In assessing an appropriate gearing ratio (debt to equity ratio) for Windlab's asset management operation, we have considered the following:

- we consider the Australian comparable companies to be more relevant given Windlab's current asset management contracts are all in relation to Australian assets
- debt to equity ratios for Australian asset management companies are in the range of 0% to 36% over a two year period, with a mean and median of 10% and 0%, respectively
- debt to equity ratios for Australian asset management companies are in the range of 0% to 29% over a five year period, with a mean and median of 9% and 0%, respectively.

Based on the above, we have selected an optimal debt to equity ratio of 10% for Windlab's asset management operations.

Company specific risk premium

Specific risks of Windlab's asset management contracts have been captured in the risk profile analysis of each individual asset rather than the base discount rate which are discussed below.

Size premium

No adjustment has been made for size premium for the determination of the discount rate for Windlab's asset management contracts as the risk profile of each asset management contract has been assessed separately, including consideration of the size of the respective underlying assets.

Pre-tax cost of debt

We have adopted a long-term, pre-tax cost of debt in the range of 4.0% to 4.5%. The long term cost of debt has been approximated by adding the credit risk spread between 5 year BBB rated Australian corporate bonds and 5 year Australian Government bonds to our long term risk free rate and subtracting the yield differential between 5 and 10 year bonds. The high end of the range includes a premium of 0.5% to reflect refinancing costs and credit rating sustainability risk.

WACC conclusion – Asset Management (base discount rate)

The selected parameters result in a calculated base WACC for Windlab's asset management operations of 7.7% to 8.3% as set out in the table below.

Table 65: Selected WACC parameters for Windlab's asset management operations

		Windlab Australia	
	Parameter	Low	High
Cost of equity			
Risk free rate	Rf	3.1%	3.1%
Equity market risk premium	EMRP	6.0%	6.0%
Ungeared beta	βa	0.80	0.90
Tax rate	T	30%	30%
Gearing (debt/equity)	D/E	10%	10%
Geared beta	βe	0.86	0.96
Company specific risk premium (alpha)	α	0%	0%
Cost of equity (post-tax)	**Ke**	**8.2%**	**8.9%**
Cost of debt			
Base rate		3.0%	3.0%
Corporate debt margin	DM	1.0%	1.5%
All in rate (pre-tax)		4.0%	4.5%
Tax rate	T	30%	30%
Cost of debt (post-tax)	**Kd**	**2.8%**	**3.2%**
Capital structure			
Estimated market value of equity as % of value	We	90%	90%
Estimated market value of debt as % of value	Wd	10%	10%
Post-tax WACC			
Calculated range		**7.7%**	**8.3%**
Mid-point		**8.0%**	

Source: S&P Capital IQ, KPMG Corporate Finance Analysis.

Based on the above analysis, KPMG Corporate Finance has selected a WACC range to apply to the post tax, nominal cash flow of Windlab's asset management operations in the range of 7.5% to 8.5%. This rate has been applied to current asset management contracts.

Additional risk premiums per asset management contracts

Windlab expect to provide asset management fees for two projects in Australia that are expected to reach financial close in the near term: KEP and Lakeland.

For these expected asset management contracts, we have applied an additional risk premium to the base WACC reflect the additional risk that the underlying wind farm assets are exposed to and the uncertainty of ultimately winning these asset management contracts.

For KEP, we have applied a risk premium of 2.3%, which is consistent with the risk premium applied to the underlying asset's operations as determined in Table 61 of Appendix 7.

For Lakeland, we have applied a risk premium of 4.0%, which is consistent with the risk premium applied to the underlying asset's operations as determined in Table 61 of Appendix 7.

The selected additional risk premiums result in the following WACCs for Windlab's asset management operations.

Table 66: Selected WACCs for Windlab's asset management operations

Asset under management	Additional risk premium	WACC Low	WACC High	WACC Midpoint
Base WACC- assets under management	n/a	**7.7%**	**8.3%**	**8.0%**
Calculated WACC				
Existing contracts	0.0%	7.7%	8.3%	8.0%
KEP	2.3%	9.9%	10.6%	10.2%
Lakeland	4.0%	11.7%	12.3%	12.0%
Selected WACC				
Existing contracts	0.0%	7.5%	8.5%	8.0%
KEP	2.3%	10.0%	11.0%	10.5%
Lakeland	4.0%	12.0%	13.0%	12.5%

Source: KPMG Corporate Finance Analysis.

Appendix 9 – Glossary

Abbreviation	Description
$	Australian Dollars
AEMO	Australian Energy Market Operator
APESB	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
Bidder	Wind Acquisition 1 Pty Ltd
Bidder Consortium	Wind Acquisition 1 Pty Ltd, an investment vehicle of funds managed by Federation Asset Management Holdings Pty Ltd and Squadron Wind Energy Development Pty Ltd, an Australian based energy and natural resources developer and explorer privately owned by the Minderoo Group of Companies
Board	Board of Directors of Windlab
CAGR	Compound annual growth rate
CEFC	Clean Energy Finance Corporation
CER	Clean Energy Regulator
CGU	Cash Generating Unit
CO^2	Carbon dioxide
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DCF	Discounted Cash Flow
DLD	Delay Liquidated Damages
DLF	Distribution Loss Factor
DNSP	Distribution Network Service Provider
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Effective Date	The date on which the Scheme becomes effective
EPC	Engineering, Procurement and Construction
ESOP	Employee share option plan
Excluded Shareholder	Equity Trustees Limited as trustee for Federation Alternative Assets Renewable Energy Asset Trust 1A1 and any Windlab Shareholder who is a bidder
Federation	Federation Asset Management Holdings Pty Ltd
FY	Financial year
GPS	Generator performance standards
Greenwich	Greenwich wind farm
GST	Goods and Services Tax
GW	Gigawatt - one billion (10^9) watts
GWh	Gigawatt hours
IER	Independent expert report
IPO	Initial Public Offering
IPP	Independent Producers of Power
IRP	Integrated Resource Plan
IRR	Internal rate of return
k	Thousand
Kennedy	Kennedy Wind Farm Stage 1
KEP	Kennedy Energy Park
km	Kilometre
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division
KWh	Kilowatt hours
Lakeland	Lakeland wind farm
LCOE	Levelised cost of electricity
LGC	Large Generation Certificates

m	Million
Management	Certain members of Windlab's senior management, comprising Roger Price (CEO) and Rob Fisher (CFO).
MLF	Marginal loss factor
Moelis	Moelis Australia Advisory Pty Ltd
MW	Megawatt - one million (10^6) watts
MWh	Megawatt hours
NCF	Net capacity factor
NEM	National Energy Market
Prospectus	Windlab's Prospectus dated 28 July 2017
OCI	Other comprehensive income
PPA	Power Purchase Agreement
PRP	Performance rights plan
PV	Photovoltaic
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RET	Renewable energy targets
RG	Regulatory Guide
RNN	Regional reference node
RSA	Republic of South Africa
the Scheme	The proposal that the Consortium will acquire 100% of the outstanding ordinary shares in Windlab Limited
Scheme Consideration	Scheme Shareholders will receive cash consideration of $1.00 for each Windlab share held on the Scheme Record Date, less any dividends, return of capital or other distribution declared or paid by Windlab on or before the Implementation Date.
Scheme shareholders	Windlab shareholders other than Excluded shareholders at the record date.
SIA	Scheme Implementation Agreement
SODAR	Sonic detection and ranging
SPV	Special purpose vehicle
SWIS	South West interconnected system
Upper Burdekin	Upper Burdekin wind farm
USD	United States Dollar
Verdigre	Verdigre wind farm
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WEM	Wholesale electricity market
Windlab	Windlab Limited
Windlab shares	The shares in Windlab listed on the ASX
WindScape	A proprietary atmospheric wind modelling and wind energy analysis technology owned and operated by Windlab
WOM	Warranty, operational and maintenance
ZAR or R	South African Rand

Part Two – Financial Services Guide

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 **(Authorised Representatives)**.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

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- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

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KPMG Corporate Finance has been engaged by Windlab Limited (Client) to provide general financial product advice in the form of a Report to be included in Notice of EGM (Document) prepared by the Client in relation to the Scheme. You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

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As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
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You should also consider the other parts of the Document before making any decision in relation to the Scheme.

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From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.
KPMG entities have provided a range of services to Windlab for which professional fees are received. Over the past two years approximately $0.2m professional fees have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process
If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address:	Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone:	1300 56 55 62
Facsimile:	(03) 9613 6399
Email:	info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(*Cth*).

Contact Details

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Share Registry
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