



LVL ENERGY FUND PLC

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Original by Hand

The Colombo Stock Exchange
04-01 West Block – World Trade Centre
Echelon Square
Colombo 01

Attn: Mr Renuka Wijewardhane
Chief Regulatory Officer

Dear Sirs:

UTILIZATION OF THE PROCEEDS OF THE INITIAL PUBLIC OFFERING

In terms of Section 3.1 of the Prospectus dated 27 November 2017 issued in connection with the initial public offering of 120 million shares of the Company, we hereby give notice of the Company's decision to present for approval of the shareholders at the forthcoming Annual General Meeting of the Company, the matter referred to in the attached circular to the shareholders.

Yours faithfully

D Sumith Arangala
CHIEF EXECUTIVE OFFICER

Encl/-

LVL ENERGY FUND PLC

PV 1966 PB/PQ

CIRCULAR TO THE SHAREHOLDERS

Dear Shareholders,

UTILIZATION OF THE PROCEEDS OF THE INITIAL PUBLIC OFFERING

As you know, LVL Energy Fund PLC (the "Company") the shares of the Company were listed on the Colombo Stock Exchange pursuant to the initial public offering concluded in January 2018 whereby one hundred and twenty million (120,000,000) shares were issued to the public through an offer for subscription (the "IPO"). The total amount raised by the Company from the IPO was Rupees One Thousand Two Hundred Million (Rs. 1,200,000,000).

Section 3.1 of the Prospectus issued by the Company to prospective investors under the IPO specified the purposes for which the proceeds of the IPO will be utilized by the Company. As stated therein, the Company proposed to utilize a sum of Rupees One Hundred and Fifteen Million (Rs. 115,000,000), from and out of the proceeds of the IPO, to invest in Pupilaketiya Hydro Power (Private) Limited ("PHPL") for the purpose of financing the construction, implementation and operation of a hydro power project in Ratnapura District with a capacity of 1.4 MW ("Pupilaketiya Project").

The Company further disclosed in section 3.1 of the Prospectus that the approval granted by the Central Environment Authority ("CEA") for the Pupilaketiya Project lapsed on 14th October 2016 and that PHPL had submitted an application to the CEA for the renewal of same. However, the CEA has not issued the letter of renewal as yet and it is difficult to anticipate how long the CEA would take to renew the approval.

Given the inordinate delay in the receipt of renewal of approval from CEA for the Pupilaketiya Project, the Board of Directors is of the view that funds allocated for investment in PHPL, which are currently held in short term money market investments, should be utilized for different purposes.

As per section 3.1 of the Prospectus, the Company's investment in LTL Energy (Private) Limited for the purpose of financing the Makari Gad hydro power project in Nepal was stated as the Rupee equivalent of US Dollars Three Million (USD 3,000,000), which was at that time, estimated to be Rupees Four Hundred and Sixty Five Million (Rs. 465,000,000) based on an exchange rate of Rupees 155 per US Dollar. To date the Company has disbursed Rupees Four Hundred and Nine Million Five Hundred (Rs. 409,500,000) of the investment. the balance sum of Rupees Fifty Five Million Five Hundred Thousand (Rs. 55,500,000) from and out of the funds allocated for the Makari Gad hydro power project has not been disbursed, as such sum is now not sufficient to meet the Company's total investment in US Dollar terms due to the escalation of the exchange rate. The shortfall is estimated to be approximately Rupees Seventy Million (Rs. 70,000,000).

The Board of Directors has accordingly, at a meeting held on 01st August 2019, decided that the sum of Rupees One Hundred and Fifteen Million (Rs. 115,000,000) which is allocated for investment in the Pupulaketiya Project be instead utilized for the following purposes:

- (1) A sum of approximately Rupees Seventy (Rs. 70,000,000) to be utilized for the purpose of meeting the shortfall of the investment of approximately Rupees Seventy Million (Rs. 70,000,000) in LTL Energy (Private) Limited for the purpose of financing the Makari Gad hydro power project.
- (2) The balance of approximately Rupees Forty Five Million (Rs. 45,000,000) to be utilized for the purpose of redeeming of the cumulative redeemable preference shares amounting to Rupees Seventy Five Million (Rs. 75,000,000) remaining outstanding as of today issued to the DFCC Bank PLC, in two equal installments of Rupees Thirty Seven Million Five Hundred Thousand (Rs. 37,500,000) each on 30th September 2019 and 31st March 2020, out of the total amount of Rupees Three Hundred Million (Rs. 300,000,000) as disclosed in section 5.12 of the Prospectus.

In the event the funds raised from the IPO are not utilized for objectives specifically identified in the Prospectus and utilized for such other purpose, the Company is required, in terms of the Prospectus, to obtain the approval of the shareholders of the Company for such deviation in utilization.

The required approval of the shareholders of the Company, as aforesaid, will be sought at the annual general meeting of the shareholders of the Company to be held on 27th September 2019.

By order of the Board
Corporate Services (Private) Limited
Secretaries
LVL Energy Fund PLC