

NEXIA CORPORATE CONSULTANTS (PVT) LTD.

(PV 106)

Corporate Secretaries & Management Consultants

03rd March 2023

Mr. Renuka Wijayawardhane

Chief Regulatory Officer,

Colombo Stock Exchange,

04 – 01, West Block, World Trade Centre, Echelon Square, Colombo 1.

Dear Sir,

WINDFORCE PLC - CORPORATE DISCLOSURE UNDER SECTION 8.1 OF THE LISTING RULES

COST ESCALATION OF THE HIRURAS WIND POWER PLANT PROJECT IN MANNAR 10MW + 5MW

This is further to the Corporate Disclosure, dated 19th May 2022. It was previously stated that the total project cost would amount to LKR 6,653,000,000 for the 10MW+ 5MW Wind Plants in Mannar due to the Rupee devaluation and cost increase in local material and services.

The company wishes to inform that during erection of the wind turbine bottom tower at location 03, Nanattan, Mannar project construction site, the hired 600T main crane toppled. This crane is unrepairable, and the company had planned to import another 750T crane on rental to continue the project. On a more positive light, no casualties were reported in the accident due to the safety precautions in place.

The damage was recorded at LKR 995 million, out of which approximately LKR 377 million will be covered by the project insurance excluding the Finance cost and other incidental cost relating to the accident. In addition, there is also a LKR 179 million cost escalation due to increase of VAT and global raw material prices. Hence, the estimated cost of the project has increased from LKR 6,653,000,000 to LKR 7,450,000,000. Consequently, the equity infusion for the project from the company's IPO funds are to be increased to LKR 2,500,000,000 with an expected change in Debt Equity ratio from 75:25 to 66:34. The additional IPO funds will be sourced by re-allocating the funds for Tororo Phase II Project, which is delayed due to the on-going grid study by Electricity Regulatory Authority (ERA) in Uganda. This project will commence, upon the completion of the grid

No. 181, First Floor, Nawala Road, Narahenpita, Colombo - 5, Sri Lanka.

Tel : 94-11-2368154, 94-11-4510709 Tel/Fax : 94-11-2368621 E-mail : nexia@eureka.lk, nexiaconsultants@yahoo.com

Directors : Mrs. C. R. Weragala ACIS (U.K), Mrs. S. K. Piyasena B.Sc

study in July 2023 and it will be funded by remaining IPO funds, company's own reserves and debt financing.

The cost details are summarized below,

	LKR Million	Debt	Equity	Debt: Equity
Project cost as per disclosure on 19/05/22	6,653	4,990	1,663	75:25
Cost escalation due to the accident	995			
(-) Insurance Claim (approx.)	-377			
Cost escalation due to increase in VAT, fuel, and other raw material prices	179			
New Estimated Cost	7,450	4,950	2,500	66:34

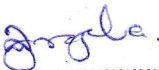
Nevertheless, as the Power Purchase Agreement (PPA) is yet to be signed, an 80% upward tariff rate revision is expected to the USD at the indicative LKR/USD rate published by the Central Bank of Sri Lanka (CBSL), seven (07) working days prior to the signing of the PPA. As a result of the tariff revision, the project will likely to earn an Equity IRR of 7.5% with a Project IRR of 9.2% at 15.6% WACC. Moreover, negotiations are under way to further increase the tariff to compensate prevailing high interest rates in the market which will likely increase the Equity IRR to 15.3% with a Project IRR of 13.2%.

Shareholder ratification for the deviations pertaining to the IPO fund utilization will be obtained at the next immediate General Meeting of the Company.

Yours faithfully,

NEXIA CORPORATE CONSULTANTS (PRIVATE) LIMITED

NEXIA CORPORATE CONSULTANTS (PVT) LTD.
PV 106


Secretaries to WindForce PLC