



## THE EFFECT OF DRASTIC MARKET CHANGES IN ONTARIO AND GERMANY – SWITCH TO US MARKET

Wind Works has withdrawn from the Ontario market, given that the Province has terminated its wind energy FIT/Auction program, even though renewables are cheaper now in Ontario, than any new conventional power plant.

Wind Works has reduced its staff and activities in Germany by 80%, given drastic market changes in 2017 as well, switching the feed-in tariff system to an auction system, and, reducing the auctioned amounts by approx.. 50%, even though wind energy is now cheaper in Germany than any new conventional power.

In 2017, Wind Works has furthermore sold off all its assembled assets to cover losses incurred in Ontario (Cloudy Ridge termination), Germany (delays and cost overruns mainly at projects Key Farm, Buch), and Belgium (development difficulties and feed-in tariff downward adjustment).

In Germany, Wind Works is now focused to find a joint venture partner with respective necessary funding for its 100 MW German pipeline, given that the auction system in Germany now requires redesigning all projects with new technology in order to have a chance in extremely low priced future auctions. This will impact all permitting timelines by at least 2 years.

Given these drastic market changes in government policies in Germany and Ontario, Wind Works is now mainly focused on the mostly capital driven huge US market with unrestricted potential for cheap renewable energies and potentially higher margins for Wind Works. With the production tax credit (PTC) phase out starting beyond 2020, three large scale wind farm projects are in development with Wind Works new partner UKA, Germany's largest wind farm developer. The plan is for at least one of the three projects to be fully developed within the next 2 years.

## CAPITAL STRUCTURE

Symbol: OTC : WWPW

Current shares outstanding 68,913,595



Interconnection work at Wind Works wind farm

Any plans to upgrade Wind Works stock market position will be reconsidered in 2 years.

## GERMANY

### 2 PROJECTS BUILT, 1 IN CONSTRUCTION, 1 ON HOLD

After having built 6 projects with 39.9MW in 2016, Wind Works built only 2 projects with 7.2MW in 2017, given the dramatic changes in the Germany market switching from a feed-in-tariff system to an auction system whereby over 90% of the about 700 developers in Germany did not win any PPA in 2017, including Wind Works. Consequently, Wind Works had to reduce its staff from about 20 people by 80%.

Wind Works has a permitted 15 MW Wald project which is sold, and on hold, given the unsuccessful participation in the 2017 auction rounds for PPAs in Germany.

2 projects were built, Key Farm, which was delayed by 7 months given an unrelated highway closure, resulting in purchase price adjustments due to a reduced feed-in tariff

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producing a loss to Wind Works. The second project Buch was also completed in 2017 and also produced a loss to Wind Works given increased interest rates for term financing during construction, and a 2 months construction delay that resulted in a special feed-in tariff degression, and, consequently to a downward purchase price adjustment for Wind Works.

In order to diversify, Wind Works had bought a permitted 4-10MW project in Belgium, had started financing and started construction. However, the project experienced land difficulties, and, due to a feed-in tariff adjustment in Belgium in the meantime is economically more challenged now. Wind Works has therefore decided to not risk construction, but to sell the project to an investor hoping to recover costs. Negotiations are ongoing.

In order to offset the losses in Germany, including, losses incurred for the fully permitted Cloudy Ridge project in Ontario that Wind Works was forced to terminate in 2016, Wind Works has obtained private loans, and, sold all it's participations in several wind farm projects in Germany in 2017. Wind Works furthermore decided to save costs by reducing it's quarterly filings to annual.

Any projects permitted until the end of 2016 are still eligible for a reduced feed-in tariff, if built and in operation by the end of 2018. Therefore, Wind Works acquired a permitted project Bach in early 2017, financed and sold it to a municipal utility. The project had previously been challenged in court and won the case. This is when Wind Works acquired the project, ordered 3 Nordex N117 wind turbines for it and started construction in summer. While in early construction the project ran into a construction stop order, which could be overcome only by cancelling 1 of the 3 permits. The 2 remaining turbines are in construction now, however, Wind Works is now seeking an alternative for the third purchased wind turbine.

For 2018, Wind Works is hoping to win a PPA for it's Wald project with 5 Vestas turbines. If not, it would need to be redesigned which could take about 2 years.

In addition, Wind Works is seeking a joint venture partner in order to raise funds to repay loans, and, to further develop it's 100 MW pipeline during the next 2 years as all projects need to be re-designed given more efficient turbines available now, which are needed to obtain PPAs in the low priced German auction market.

### US

Given the dramatic changes in the Ontario and German markets, even though wind energy is cheaper now than new conventional power in both, and, an unexpected difficult Belgian market, Wind Works has mostly focussed it's activities on US projects in 2017 with it's partner UKA, Germany's largest developer. A large scale 100 MW solar project was co-developed with a local developer, however, due to difficult market conditions mid-2017, given the governmental threat of import taxes on solar cells with unpredictable economic consequences, the solar project was sold off, with Wind Works at least recovering costs. Furthermore, three large wind projects are in development, with UKA funding it, and, sharing of the upside with Wind Works, if successfully built. The goal is to get at least 1 of the 3 large scale projects fully permitted within the next 2 years.

### Summary

2017 was the most difficult year for Wind Works so far.

With the dramatic downturn of the German market, Wind Works is focusing on the large US market where the first large scale wind farm project is expected permitted in about 2 years.

Therefore, Wind Works aims to be in a position in 2 years to take the next step for the company which may include a new listing in the future.

<u>PROJECT</u>	<u>MW</u>	<u>OWNED</u>	<u>TIMELINE</u>
<b>USA</b>			
Grand Prairie	150	sold	2020/21
GV Valley	80	100%	2020/21
Solar	80	100%	2020/21
	100	JV	2018/19
<b>GERMANY</b>			
Key Farm	4.8	sold	2017
Buch	2.4	sold	2017
Bach	4.8	sold	2018
Wald	15	sold	tbd
<b>BELGIUM</b>			
Belgium	4-10	selling	2018/19