



DIDUL (PVT) LTD

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21st February 2001

General Manager
Private Sector Infrastructure Development Company Limited
Level 22 west Tower
World Trade Center
Colombo 1.

Dear Sir,


WAY GANGA HYDRO POWER PROJECT

We refer to your letter dated 15th February 2001 and wish to inform you that we are aware of the risk of any prolonged drought in the catchments area. We are aware of the fact that the Project IRR is less than 14%.

In addition to the projected cash flows from power generation, calculated at the prevailing tariffs, we expect increased cash flows from the future upward revisions of tariffs because the CEB is relying on diesel power for meeting ever increasing power demand.

Most importantly we expect to derive the benefits of Carbon Credits once the Project will have been commissioned. We are proceeding with this Project on the basis of long term benefits to the Project, namely, the benefits of Carbon Credits and the availability of sufficient cash once the loans have been settled.

Yours faithfully,


A.K. Dheerasinghe
Project Engineer