



NEWSLETTER N° 14  
JUNE 2005

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### Mission Statement

“To be a global leader in wind turbine technology innovation.”



### ON OUR WAY AGAIN

Thank you to everyone who participated in the recent Renounceable Rights issue which raised **\$3.3 million**. We enjoyed seeing many of you at the public meetings held around the country and appreciate the distances that some people travelled to be there. There were some good question sessions, and we are providing information in this newsletter to clarify some issues.

**We pay tribute to the magnificent response of investors at this time. Your risk-capital is enabling local manufacturing to become a reality.**

The funds raised will allow us to build the manufacturing capacity of the company, achieving certification, completing the first production run of five turbines and floating off NZ Windfarms Limited (NZWL) who will purchase the turbines. We acknowledge that many of you are interested in the NZWL investment and will keep you up to date as we move towards its Initial Public Offering.

The rebuild of the prototype ‘Neil’ is progressing well. The team has finalised details of the modified design which incorporates various improvements and will be more representative of the production turbines. We expect to have the new look prototype up by August.

On a wider note, it is personally satisfying to see wind energy gain ground as a mainstream energy option for New Zealand. Further investment and announced projects by a variety of players, including the traditional generation companies, lines companies, and developers, shows enormous confidence in the industry and vindicates the message we have been repeating for years. “New Zealand has an excellent wind resource and wind energy makes sense for New Zealand”.

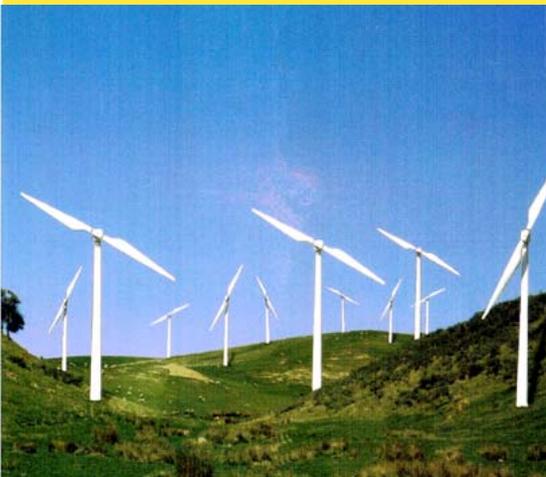
It shows how much the industry has changed that 14 years ago ECNZ rejected a tender for a Windflow 500 because it was too big, and yet turbines three and four times the size are now being installed and proposed.

As a general rule, a wind farm will produce the same energy on a given land area regardless of whether it has small turbines or large ones. This is supported by the comparative analysis we did for Te Rere Hau.

Smaller turbines also result in civil works being smaller by a factor of four or five per kilowatt as existing roads and small cranes can be used, and less concrete is required. This opens up the Windflow 500 to a much wider market including farmers, community groups, businesses and smaller developers.

Geoff Henderson

**CEO and Director**

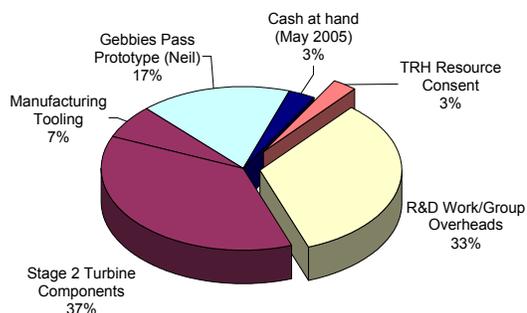


# Rights Issue

# Rebuild and Production Run

The public meetings in Auckland, Palmerston North, Wellington, Nelson, Christchurch and Dunedin were well attended with over 300 shareholders and potential investors taking the opportunity to hear the company's plans and ask questions first hand.

A question which came up more than once was "what have the funds raised to date (\$7.6 million) been used for?" While the information was presented in the prospectus and previous annual reports, the following pie chart may be helpful for shareholders to get a sense of what their funds have



gone towards.

## Windflow Group Use of Funds 2001-5 (\$7.6 million)

The majority of funds used to date have resulted in tangible assets including the prototype, and components for the first production batch.

\$3.3 million was raised in the May /June 2005 Renounceable Rights issue which will allow Windflow to:

- Continue the testing, engineering and certification work on the Windflow 500 prototype.
- Prepare for and promote NZ Windfarms Ltd capital raising.
- Complete and install the first production run of up to five Windflow 500 turbines.

Demonstration turbines in South Australia and elsewhere will be deferred. Once the first sales go through (from NZWL and/or other parties), working capital will be freed up for further commercialisation activities.

Most of the people who invested in the 2005 Renounceable Rights Issue were existing Windflow shareholders as shown in the charts (right).

## Rebuild

The engineering planning on the prototype is nearly complete and work has started on testing and assembling components and software controls. The prototype is expected to be recommissioned by August.

As well as the software control and gearbox holding-down bolts modifications to prevent a recurrence of the March 10 wind shift event, the team is taking the opportunity to incorporate refinements to the layout and functionality such as:

- Coolers placed on top of nacelle rather than below for ease of access and improved transportability
- Hydraulic system rationalised for efficient manufacture
- Cladding design rationalised resulting in weight reduction



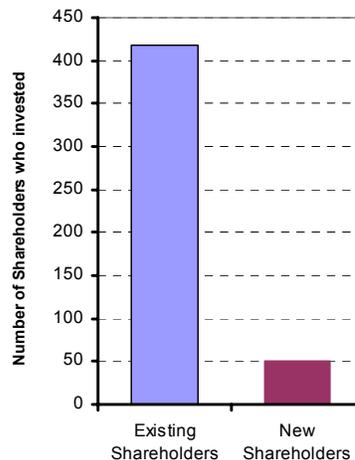
The new prototype (and the first production run) will therefore look a little different from the original, although the fundamental design remains the same.

**View of the new look nacelle with coolers placed on top. The hub and pitch mechanism are shown out the front of the nacelle (without blades attached).**

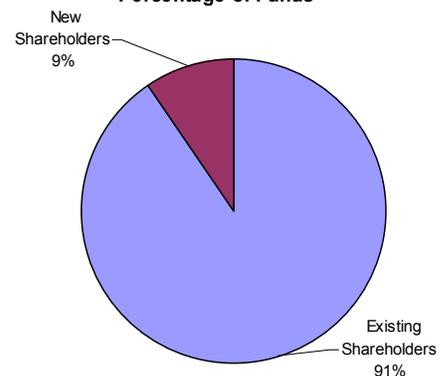
## Production

Many components for the first production batch are already in stock. The remaining components will now be ordered and delivered to ASCO in Christchurch for nacelle assembly. The blades and towers will be sent directly to Palmerston North when commissioning for Te Rere Hau begins.

Stage 3 Rights Issue



Stage 3 Rights Issue Percentage of Funds



# Events Update

# Windflow Group Structure

## American Wind Energy Association Conference – Denver, Colorado, USA 15-18 May 2005

Electrical Engineer, Wernher Roding presented his poster presentation “Synchronous and Synchronised Wind Turbine Generators – Using an “off –the-shelf” Diesel Genset Generator for WTG Systems”. With the increasing presence of wind energy in electrical systems internationally, there was a large section of the conference dedicated to grid integration issues and Wernher had a good response to his paper, and several enquiries about the Windflow 500.

## Electricity Engineers Association Conference – Auckland 17-18 June 2005

Wernher Roding gave a similar paper on Synchronous and Synchronised Wind Turbine Generators. Wernher had an excellent response to this paper, especially as it contrasted with a subsequent paper which detailed the expensive equipment which was required to give the Te Apiti wind farm **acceptable** power factor performance. He also won the award for best non-member presenter – well done Wernher!

## ASCO site visit – Chch, 25 May, 2005

Approximately 70 people attended a site visit at ASCO before the Rights Issue public meeting. Shareholders and interested members of the public had the opportunity to see components for the first production run including six generators, pallets, slewing bearings, brake calipers, and a set of two 16 metre turbine blades (for Neil).



## UPCOMING EVENTS

### Wind 101 seminar – 29 August, 2005, Wgtn

One day introduction to wind energy for planners, landowners, and anyone interested in this dynamic industry. More details available from [www.windenergy.org.nz](http://www.windenergy.org.nz)

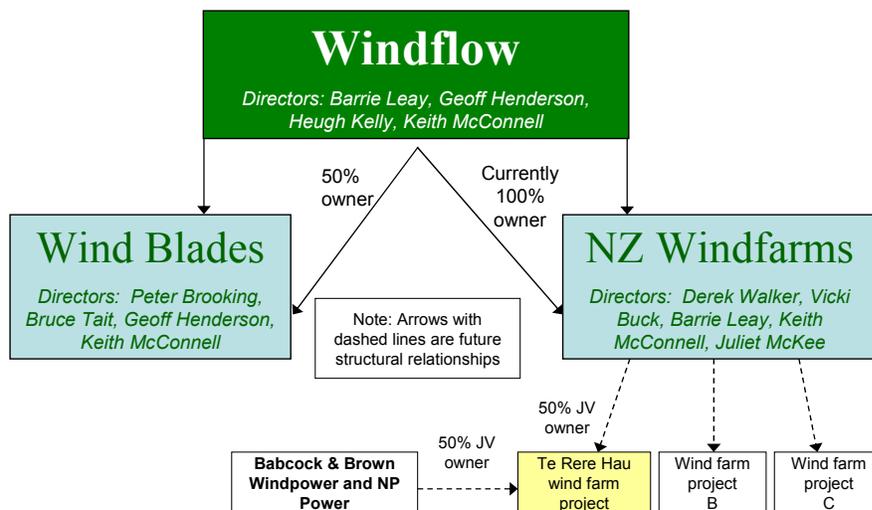
### NZ Wind Energy Conference 30-31 August 2005, Wellington Convention Centre

RSVP to [Sharon@nzwea.org.nz](mailto:Sharon@nzwea.org.nz) or ph 04 499 5046

Following questions raised at the rights issue meetings, we have included some further information in this newsletter to clarify the Windflow group structure, particularly the future relationship between NZWL, the Te Rere Hau wind farm project and involvement of the announced Joint Venture (JV) partners.

In May, the consortium of NP Power Pty and Babcock & Brown Windpower (NPBB) signed a memorandum of understanding (MOU) with NZ Windfarms Limited that signaled the consortium’s interest in being a 50% JV partner in the Te Rere Hau wind farm in Palmerston North. The MOU commits NPBB to an initial NZ\$3 million investment. On completion of their due diligence on the site and turbine, NPBB will confirm whether they will become equal JV partners on Te Rere Hau. If so, NPBB will provide half the funding towards the NZ\$80 million project with NZ Windfarms needing to raise funds to provide the other half.

This structure is outline in the diagram below, which clarifies the important point that the JV partners are investing directly in the Te Rere Hau project rather than in NZ Windfarms itself.



NPBB have expressed interest in investing in other NZ WL led wind farm projects in a similar manner.

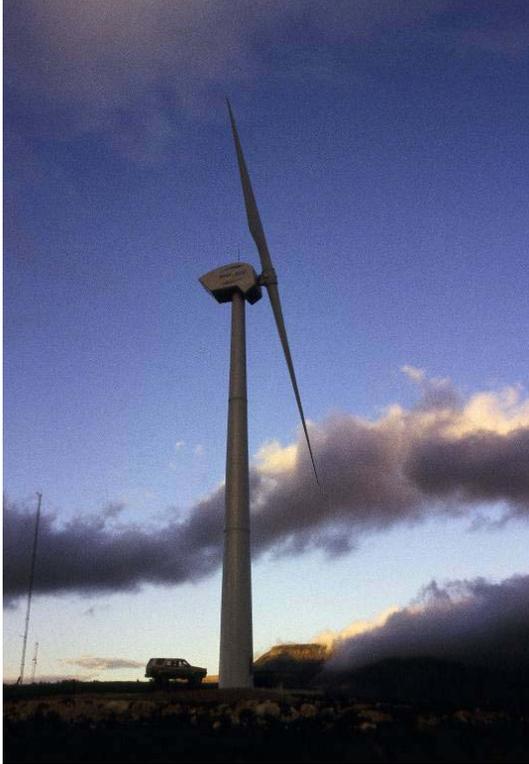
Due to Windflow Technology’s investment in NZ Windfarms to date, Windflow will retain a minor shareholding after NZ Windfarms is floated off (likely to be listed on the NZAX).

Current Windflow shareholders will also get some form of preferential treatment in the NZ Windfarms IPO within the bounds of the relevant statute, rules and regulations.

### DID YOU KNOW?

Our Windflow 500 is the same hub height as the Brooklyn (Wellington) turbine, but is more than twice the capacity. (500 kW vs 225 kW).

# NZ Windfarms Ltd



## Te Rere Hau wind farm

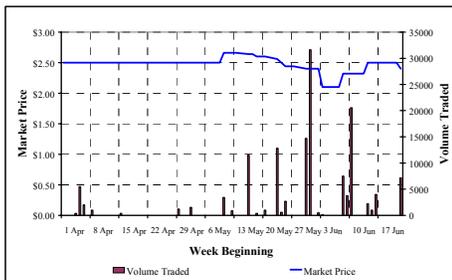
The Te Rere Hau wind farm Resource Consent agreement was formally signed by the Environment Court Judge on 30 May 2005 after a successful mediation process with all appellants.

Planning is underway for civil works and connection for the first five turbines, with construction expected to begin this summer.



## NZAX – Share Trading History

The line graph shows the market price while the columns show the volume of shares being traded.



To view this graph daily go to:

<http://www.nzx.com/nzxmarket/nzax>

and search for stock code WTL

(There is also a link on our website.)

## NZ Windfarms IPO

The next step for NZ Windfarms is to embark on a capital raising exercise planned for later this year. It will likely be listed on the NZAX with its own shareholders and will no longer be a wholly owned subsidiary of Windflow Technology. Windflow will retain a shareholding in NZ Windfarms and Windflow shareholders will have some form of preferential treatment during the IPO.

## Other potential wind farm sites

NZ Windfarms is actively exploring other potential wind farm sites around the country. There has been an increase in enquiries from land owners who want to know if their land is suitable for wind farming, and a growing number of communities and businesses who are interested in generating their own energy. If you have a particularly windy piece of land that you think may be suitable for wind farming, submit a query through the 'Contact Us' page on the website.

*For updates and further information please visit the website*

[www.nzwindfarms.co.nz](http://www.nzwindfarms.co.nz)

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