



NEWSLETTER N° 17

MARCH 2006

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Mission Statement

"To be a global leader in
wind turbine technology
innovation."



FROM R&D TO PRODUCTION

It has been a great summer with Neil (the Gebbies Pass turbine) working very well and progress being made on building the first batch of five turbines for Te Rere Hau.

NZ Windfarms was successful in its Initial Public Offering, raising just over \$4 million which will allow the company to get underway with civil works and other infrastructure as planned. Importantly for Windflow, the IPO also enabled NZ Windfarms to confirm the order for batch one with a deposit at the end of last year.

The Windflow team has developed the production schedule and is finalising orders for components so that manufacturing and assembly can begin.

The other major effort is working towards our International Electrotechnical Committee (IEC) certification which will give the turbine an internationally recognised Class 1A rating (for strongest winds and turbulent conditions). We are working with Garrad Hassan, one of the most reputable wind power consultants world-wide, who is doing a preliminary review of our design before we submit documentation to Lloyds Register, our certification body.

The Windflow design continues to stimulate strong interest from within New Zealand and particularly from international markets as the number of wind turbines on the market is outstripped by the escalating demand. Gearbox problems and grid integration issues are high on many agendas so the unique aspects of the Windflow turbine are starting to get more attention.

In particular, there has been significant interest from Hawaii where we are continuing to work on a possible demonstration project. We are also following up on some contacts in India to explore future opportunities in this growing market. In summary the market for wind energy in New Zealand is still well and truly alive.

The only market risk facing us here is some uncertainty about climate change policy, now that the proposed carbon tax has been cancelled. While this will not affect our immediate project at Te Rere Hau, it leaves a policy void for the moment. It was reassuring therefore, as well as a great privilege, to be invited to meet with the new Minister of Energy, David Parker, to discuss future climate change policy (more on this meeting on page 3).

We had some very successful open days at the Gebbies Pass turbine in November and are planning to hold another open day in Christchurch – Sunday 26 March 2006, 3:00–4:30 pm. If you did not have a chance to make it last year, we welcome you to come and take a look.

It promises to be a very exciting year for us all. We will continue to keep you up to date as the story unfolds.

Geoff Henderson - **CEO and Director**



Height & Safety

Windflow staff recently revised the safety plan and systems and completed a height and safety training course where they literally 'learned the ropes'.

The training involved reviewing health and safety law and company policies; testing all safety equipment; ensuring all staff knew how to use the equipment properly and reviewing procedures.

Most work involving height will take place during installation of the turbine and during routine six monthly maintenance servicing. This will involve ascents and descents of the 30 m high internal ladder, and possibly working on the hubs from platforms that extend from the front of the nacelle.

The emergency exit at the rear of the nacelle (see picture below) allows an abseil escape in case the main tower exit is obstructed, or in the unlikely event of a fire.

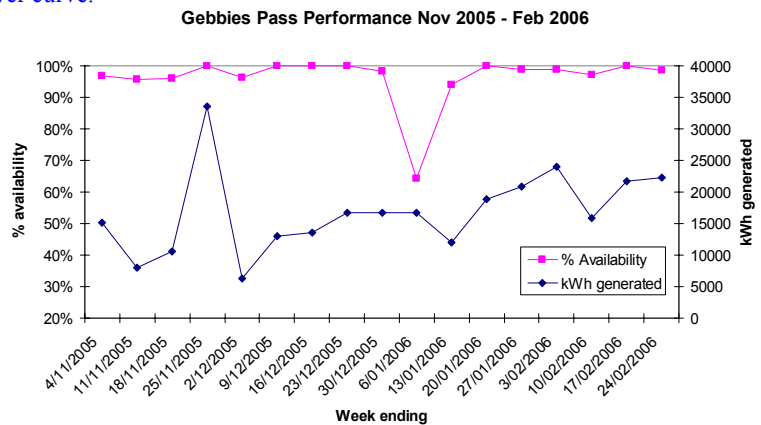


Abseiling from the rear of the nacelle

Turbine Performance

Approximately 300,000 kWh has been generated from the newly installed turbine since September 2005 which is enough to power around 40 average kiwi homes for an entire year (an average NZ household uses approx 7800 kWh/yr).

The wind speeds during these months have not been fantastic (averaging less than 7 m/s) however the availability of the turbine (when it is generating or ready to generate ie. not experiencing an unscheduled shut-down) has been very good, averaging over 95% during this period. Power output is following the expected power curve.



GARRAD HASSAN REVIEW

International wind energy consultants Garrad Hassan Partners have been contracted to undertake a technical review which we expect will provide Windflow with external validation of the Windflow 500 design in advance of submitting for IEC certification. Dr Roger Haines from Garrad Hassan's head office in Bristol, England, worked with our engineers in the Christchurch office during February.

Dr Haines, pictured at right, has 22 years experience in the wind industry, having worked for WEG, NEG-Micon and Vestas before joining Garrad Hassan in 2004.



Roger Haines

During his time here, he carried out a detailed review of the Windflow 500 including inspecting the prototype turbine, and checking quality control at production facilities and suppliers of major components.

The purpose of the general review is:

- a) To review the software and hardware improvements made last year, including in particular a validation of our aerodynamic simulation software
- b) To review the overall design and the main details of its implementation
- c) To review the quality systems of the suppliers of major components
- d) To identify documentation work required prior to certification.

The report is expected to be completed by mid-March 2006.

Events

A Meeting with the Minister of Energy

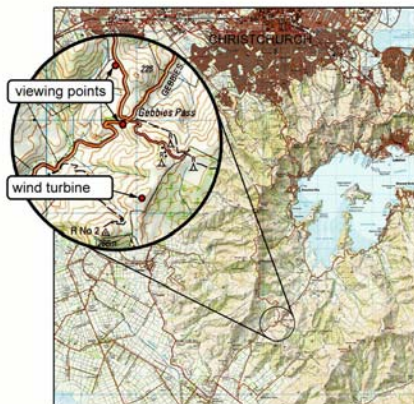
Sunday 26 March 2006 – 3.00 – 4.30pm

Open Day at Gebbies Pass turbine

After some very popular open days in November last year, we are hosting another open day in Christchurch before the winter weather sets in.



People are welcome to make their own way to Gebbies Pass where staff will be available after 3.00pm to show people around on site.



There are two main ways to get to the turbine:

1. From the south-west of Christchurch, take highway 75 to Akaroa and turn left on Gebbies Pass Road just past Motukarara
2. From south of Christchurch, go up Dyers Pass Road, turn right on Summit Road and continue over the port hills and down to Gebbies Pass.

Then drive through the gateway (30 metres north of the Pass from the sealed road onto a dirt road), turn right just before the Radio NZ mast, follow our new track through another gateway, park at the saddle and make your way up the hill.

Geoff was privileged to be “summoned to Wellington” to meet with the Hon. David Parker in early February, to discuss climate change policy from a Windflow Technology perspective.

The meeting was very positive and established a good relationship at a personal level. They talked initially about Windflow Technology’s current situation and plans for the future. The Minister expressed support for local manufacturing and hopes to take up our invitation to visit various production facilities and the turbine itself.

On the subject of climate change, the Minister showed an obvious commitment to action on this serious issue. The Minister was interested in Geoff’s views and they discussed these in the context of a one page briefing paper which Geoff provided at the meeting.

In this paper, Geoff expressed the view that climate change policy should be:

- Effective at reducing GHG emissions and stabilising atmospheric concentrations
- Fair by providing a uniform, and lowest possible cost of carbon across the economy
- Consistent by avoiding subsidies for particular sectors (fossil, nuclear or renewable)
- Durable (by being effective and fair) so as to provide certainty for the business sector (new and old).

Geoff ended the paper by stating “A policy that requires the polluter pay to absorb CO₂ is fundamentally right and unarguable. As such it provides the best long-term prospects not only for all renewable industries, but for future generations.”

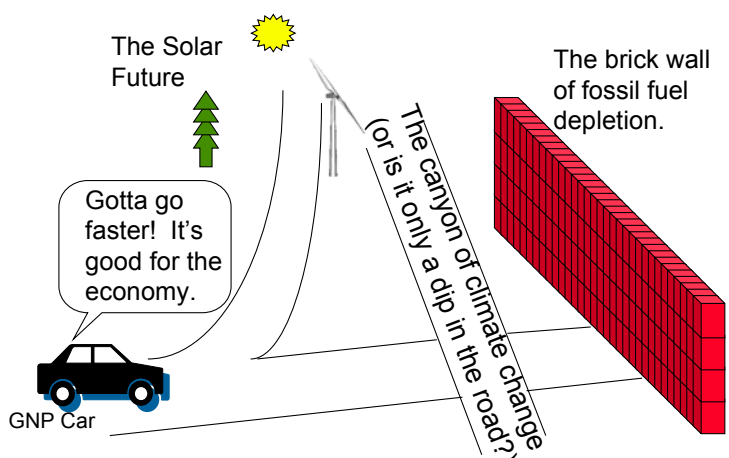
A copy of this paper is available on the Windflow website at <http://www.windflow.co.nz/news/newsletters.html>.

The government is currently consulting on climate change policy. Their website is <http://www.climatechange.govt.nz/>.



The Hon. David Parker:
Minister of Energy,
Minister of Transport,
Minister Responsible for
Climate Change Issues,
and Attorney General.

How about a change of direction?





Te Rere Hau project update

In Windflow's role as Project Engineer for the Te Rere Hau wind farm, we have been working with Connell Wagner to put out tender documents for the civil works contract. Initial work has begun on site to establish ground load-bearing capacity so that the detailed foundation designs can be completed. The roading, electrical, and turbine foundation work will be formally underway in March.

First Batch of Five Turbines

As part of the company's move into the production phase, we welcome Hugh Aston who has joined the Windflow team for an initial period as Production Manager.



Hugh Aston

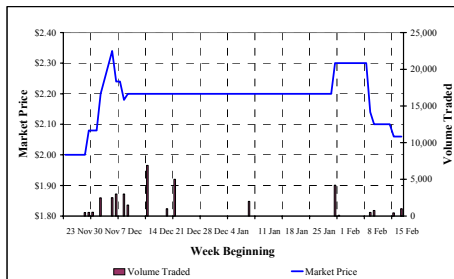
The manufacturing schedule is in place and many components are already at the ASCO factory where the Windflow assembly and test area is being prepared for the first production run of nacelle assemblies.

Most of the other components, including gearboxes, hubs, pitch-teeter components, towers, hydraulic systems, electrical cabinets, pendant cables, yaw drives have been ordered and are due to arrive between now and May 2006. We have chosen Accredo software to manage the inventory, purchasing, accounting and job cost aspects of the manufacturing activities.

The first of five gearboxes is now being run-in on the test rig at A.H. Gears in Auckland. After each gearbox passes its test, it will be sent to Christchurch for nacelle assembly work to begin.

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.)

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Tower production facilities at ACME in Wellington