

Nº 22, October 2007

“The market value of the (wind energy) industry over the next five years will total some US\$186.4 billion.”

Source ~

BTM Consult ApS – March 2007 publicly available at: <http://www.btm.dk/documents/pressrelease.pdf>

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Growth and Fresh Beginnings

It seems very appropriate that this newsletter is coming out in Spring – a time of growth and fresh beginnings. This month Windflow moved into new premises in Riccarton, Christchurch to combine office and permanent nacelle assembly on one site. We will be aiming to assemble at least five turbines per month from October to meet the current order of 44 turbines for Te Rere Hau.

A targeted growth plan could see production quadruple over the next five years. The number of employees will grow from 24 staff to almost 40 over the next six months. We welcome our newest members of the team and you can find out more about the move on page 2.

The past few months have been very productive in all areas of the Company. As well as responding to growing interest from New Zealand wind farm developers, we have made an initial approach to the fast growing US market. In June, the Sales and Marketing team presented the benefits of the Windflow 500 at Windpower 2007 in Los Angeles (see coverage on page 3). The potential US demonstration project that we have been progressing over the past 12 months has resulted in us signing a non binding Memorandum of Understanding with American wind farm developer Na Makani Moa'e Ku LLC to supply Windflow 500 turbines to a project in Hawaii.

Back in New Zealand, the engineering team continues to make progress towards IEC certification and has tested an upgraded gearbox joint on the five turbines at Te Rere Hau. This upgrade has worked well and will be implemented in all future turbines. A smaller and more cost-effective foundation design for certain soil conditions has also been tested and will be used at Te Rere Hau.

The growing interest in the wind energy industry world wide has resulted in a lot of positive coverage of the Company, including being highlighted as one of 'Seven NZ Stocks to Watch' by a US investment website. North and South's August issue covered my story as a "determined dreamer" in building the Company to where we are today.

The Windflow 500's innovative and sustainable features were recognized by the Sustainable Business Network through being chosen as the winner of the Southern Region Product Design and Innovation category. We are also a finalist in the EECA Awards in the E3 Product Innovation Award category for the Introduction of a new energy efficient or renewable energy product or technology.

A reminder that the AGM will be held in Christchurch on Wednesday 24th October, preceded by a tour of the new facilities, so we hope to see many of you there.

Geoff Henderson,
CEO and Director



Manufacturing and Management Under One Roof

On 24 September Windflow Technology reached a milestone in its company history by moving into new premises in Riccarton that enable manufacturing and management functions to be housed under one roof.

Rapid growth and the plan for sales of Windflow 500 turbines to more than double next year to over 60 turbines, has meant that the move is exciting, practical and necessary.

The new Windflow 500 nacelle assembly line and parts storage area will take up most of the 850 m² warehouse area and will enable continuous production of up to 100 turbines per year. The 450 m² office area is equipped with meeting areas, reception and working areas for up to 40 staff.

There is additional warehouse space at the rear of the building which will enable nacelle assembly to increase to up to 200 turbines per year (see Subtenant Opportunity).

The company's phone and fax numbers remain the same, but the physical and postal address have changed.

42-44 Mandeville St, Riccarton, PO Box 42 125, Christchurch 8149
Phone: 03 365 8960 Fax: 03 365 1402
email: info@windflow.co.nz website: www.windflow.co.nz

Subtenant Opportunity

An additional 900 m² of warehouse space and amenity areas is available for sublease, including 10 carparks. Windflow Technology would prefer to sublease for an initial 2-year period. All enquiries to Jules Ganley phone 03 365 8960.

Windflow Site Tour and AGM

Wednesday 24 October 2007
42 - 44 Mandeville St, Riccarton, Christchurch
6.30 - 7.30pm - Join us for some refreshments and a tour around the new nacelle assembly facilities.
RSVP for the Site Tour to info@windflow.co.nz by Friday 19th October.

This will be followed by the Windflow Technology AGM at 7.30pm (details will be sent to shareholders separately).



A careful look at the proposed building signage for our new premises reveals that Windflow Technology has smartened up its logo and created a crisp and fresh appearance. The work was completed to coincide with the shift into new premises.

Welcome New Staff

We would like to welcome several highly skilled and experienced people to the Windflow team and hope to be welcoming more engineering and commercial staff over the next six months to meet Windflow's planned growth. Keep an eye out for job advertisements in local papers or on Seek.co.nz.

Rashmi Thakrar - Accountant

We are pleased to welcome new accountant Rashmi Thakrar who is taking over the accountancy role from Nicola Catchpole. Nicola is relocating to Auckland with her family.

Rashmi is a member of the Institute of Chartered Accountants and was previously employed at the Foreign Office in the UK. He has significant experience in management accounting and capital raisings.



Since moving to New Zealand two and a half years ago Rashmi has been undertaking accounting assignments on a freelance basis in order to build his knowledge of requirements under a different legislative regime across a number of different sectors.

Rashmi is married with three children and relishes the New Zealand lifestyle and environment.

Darren Webster - Electrical Engineer

Darren is working with the electrical team on achieving IEC certification of the turbine and will also be assisting with development of new projects.

Darren graduated from the University of Canterbury with a B.E. in Electrical Engineering and was employed as a Development Engineer for local technology company, BCF Ultrasound. He has most recently been working for Parkside Laboratories in Christchurch as a Compliance Engineer, where his role involved compliance testing and consultation on new electrical products for certification to local and international standards, including IEC.



Laurie O'Gorman - Stores Controller

Laurie will be assisting the production team to set up the stores at Mandeville Street and will then be responsible for receiving components, organising their inspection, putting them into store and then issuing them to the production line.

Laurie was previously an Inventory Controller/Supervisor at Tyco Electronics and prior to that a Stock Controller at Dynamic Controls so he has some great skills and experience to set up and maintain an efficient Inventory System and Warehouse operation for Windflow.



Te Rere Hau Powers Up

The fourth consecutive multi million dollar order of Windflow 500 turbines for the Te Rere Hau windfarm was confirmed right on deadline for this newsletter! This order means that 44 turbines are now in the process of being scheduled into the streamlined production line at the company's new factory in Mandeville Street.

Recently in one of the five turbines a bolted joint inside the gearbox failed and this resulted in a small amount of internal damage. The reason for the problem was the loading imposed on the bolted joint when the rotor was 'parked' or stationary in high winds. Once the exact cause of the failure was understood it was decided to upgrade all the gearboxes to a stronger joint design.

This involved disassembling the gearboxes completely and in four out of five cases they were in pristine condition. A new design had already been developed and tested at Gebbies Pass to improve one of the factors which contributed to this failure.

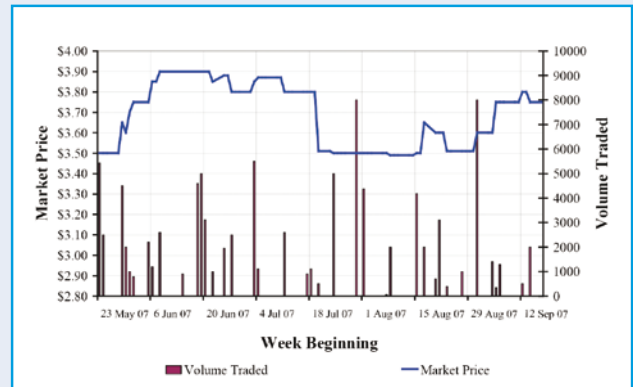
All upgrade work to the existing Windflow 500 turbines installed at Te Rere Hau is expected to be completed in October.

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.)



Windflow at Windpower 2007

This American Wind Energy Association event in Los Angeles in early June was attended by over 7000 representatives from the wind energy industry, mostly from North America. It was a great opportunity for the Sales and Marketing team to learn more about the US market, meet some potential customers and start building awareness of our patented technology. As one of 400 exhibitors, we attracted our fair share of attention and were kept busy answering questions over the three day event. Geoff Henderson also presented a poster paper on the unique synchronous generator benefits of the Windflow 500 that could help the US meet its goal of 20% wind power by 2020.

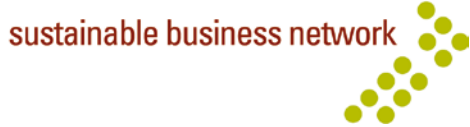
Windflow has always planned to enter the US market with a 60 Hz version of the Windflow 500 and the industry is booming due to the positive political and business environment for wind energy there. Our first step into the market is likely to be a small project in Hawaii that we announced last month, potentially working with American developer Na Makani Moa'e Ku LLC.



Windflow 500 – Sustainable Innovation at its Best

Windflow Technology has leveraged the sustainable/renewable advantages of the Windflow 500 and has not only entered two relevant award competitions but won a prestigious Product Design and Innovation Award in the Southern Region Finals of the 2007 Sustainable Business awards.

Windflow Technology will now go forward to the National Finals of the Sustainable Business Awards to be held at a black tie event in Auckland on October 25th.



The Product Innovation Award recognises such aspects as the Windflow 500 turbine being lighter and using less concrete and steel than similar sized turbines. Also detailed were its height advantage that enables wind farms to be built with minimal visual disruption; its weight advantage that reduces environmental impact in terms of strengthening roads or building extensive foundations and the use of renewable pinus radiata wood for the blades instead of carbon fibre.

Additional emphasis was placed on the fact that 90% of the Windflow 500's componentry is manufactured in New Zealand, a factor which addressed criteria relating to a sustainable local economy and reduction in transport carbon.

The ability for the product to influence its sector was also considered and on this issue the growing interest in the Windflow 500 within the overall context of preference for renewable energy sources clearly gave Windflow Technology a major lead in the judging and one that we hope will continue into the finals.



Left - Right: Hon Sir Kerry Burke (ECan), Geoff Henderson, Hon Lianne Dalziel (Minister Small Business and of Commerce), Dennis Parker (Chair SBN Southern).

Windflow is also a finalist in the EECA E3 Product Innovation Award for the introduction of a new energy efficient or renewable energy product or technology. These awards will be presented in Auckland on November 1st.



Media

Copies of media releases and selected articles are available to view on our website
<http://www.windflow.co.nz/news/news.html>

Wind Stats

The Danish Windstats newsletter which is a quarterly international wind energy publication with news, reviews, and wind turbine production and operating data from thousands of wind turbines. Windflow Technology was highlighted as one of the few manufacturers serving the niche market for medium sized wind turbines. The article also covered specific advantages of the Windflow 500.

North and South

Leading journalist Mike White wrapped up a colourful 10-page article on the history of Windflow Technology and the Windflow 500 with the comment

"Just whether Geoff Henderson will go down in New Zealand history as one of our greatest inventors and entrepreneurs isn't quite clear yet. But with every rhythmic turn of his turbines the prospects for Henderson and those who've so loyally believed in him looks more promising than ever."

Refocus

The unique synchronous generator benefits of the Windflow 500, were highlighted in an article in the August edition of international Refocus magazine.

Seven New Zealand Stocks to Watch

In early August, Windflow Technology was highlighted as one of Seven New Zealand Stocks to Watch by US investment website Seeking Alpha (<http://seekingalpha.com/article/43520-seven-new-zealand-stocks-to-watch>). The other stocks were Telecom, Air NZ, Contact Energy, Comvita, Auckland International Airport and Fisher & Paykel.

The website stated "Windflow Technology Ltd. ADR (WFLWF.PK), which is based in Christchurch, New Zealand, designs, develops, manufactures and markets wind power turbines. Its revenues for the latest reported six months were up 663%, however, its net deficit increased by about 5.2%. The stock rarely trades in the U.S."

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