

N° 23, March 2008

The judges comments were:

"New Zealand designed and developed product, price competitive on international market and offering environmental benefits such as lower embedded energy in manufacturing. Innovative use of New Zealand-sourced labour and materials and design".

~Source: EECA Energy-Wise Awards

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Our new factory -
A turbine being tested in the final assembly stage

CEO Introduction

This is the first newsletter for 2008. It highlights our increased confidence in the future of Windflow Technology. The information and articles demonstrate the resources we are building up and our collective commitment as we progress on all fronts – sales, marketing, engineering, production, as well as planning, implementing, and operating wind farm installations. We are an organisation that is carefully managing change and growth. All the appropriate business procedures are in place, we have the necessary capital base, the resources to deliver on orders and developments and the facilities to ensure manufacturing processes are optimised.

One indication of our growth is that this newsletter is using an extra two pages to introduce our new staff! These additions follow from a major review of our company's organisation chart which now has 42 positions, of which 36 are now filled.

Windflow Technology is like an idea whose time has come and we are all very upbeat about the solid work that lies ahead. As most of our readers know we have 44 turbines on order from the Te Rere Hau wind farm joint venture and the nacelle assembly area at our new Riccarton premises is filling up with delivered components (mostly NZ made), that will be turned into 500 kW Windflow 500 turbines by our production team at the rate of five per month. We look forward to these being installed at TRH starting in June when the electrical connection is ready.

The recent \$5.04M **fully subscribed renounceable rights issue** was a major undertaking that consumed much of my time throughout late September through to mid November. Effective capital raising has become part of the history of Windflow Technology and each time it is essential to seriously and professionally review our business case and the market conditions or opportunities that justify investing in the future of Windflow Technology.

This time round I can say that our track record enabled us to achieve a far stronger and more immediate level of acceptance – achieving full subscription was a significant first for us. My meetings with a number of sharebroking firms in Auckland, Wellington, Christchurch and Dunedin also highlighted that we had achieved a level of investor confidence and awareness that needed more information, rather than justification, to translate into investment dollars for the take up of an entitlement.

I want to specifically **welcome our new shareholders** and trust that you will enjoy learning more about the Windflow Technology story and milestones. And, for our longer term investors who have provided the company with stability and support, please note that this newsletter may seem to cover old ground in places but this is simply because we want to ensure that our new readers are provided with some background material as appropriate.

The engineering team continues to work tirelessly towards the **IEC certification**. The fact that our design is innovative has led us to chart completely new territory. The challenges at times seem quite extraordinary. For example when fatigue-testing our blade the IEC safety factors require us to demonstrate a 900 year achievable life (45 times the duty of 20 years!). This provides just one example of how diligently we must attend to a host of issues in order to achieve the outcome we want. Fortunately the process has also enabled us to build firm relationships and understandings of the beneficial properties of our Windflow 500 amongst people who

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are considered to be at the top of the international wind energy industry from an engineering perspective.

At the same time we have hosted **prospective buyers** from New Zealand and overseas to our factory, escorted them to the Te Rere Hau wind farm and our Gebbies Pass test turbine. The sales cycle is something that we have chosen to provide more details on in this newsletter. We suspect that this lengthy process is one that is little understood and it absorbs significant resource and time.

MainPower, the company that owns and operates the power lines supplying electricity to the people and businesses of North Canterbury and Kaikoura, lodged a resource consent application in late November for a **wind farm on Mt Cass** in the Hurunui District. In a first for Windflow Technology, our Windflow 500 was included as one of three wind farm design envelopes which marks our arrival as a serious contender in subsequent wind farm developments (see www.localgeneration.co.nz for more details). The Hurunui District Council has yet to publicly notify the application, but once they do Windflow will be making a submission in support of the wind farm and drawing attention to the lesser impacts of the R33 envelope (Windflow turbines), as well as the greater local economic benefits, in comparison to the larger, imported turbines.

All in all I can report that right across the company Windflow Technology is driving ahead and we are all excited and energised by the progress we have made. Thank you for your support.

Geoff Henderson
CEO and Director

Te Rere Hau Update

We can report that steady progress has been made at the Te Rere Hau wind farm over the past months.

Due to electrical constraints on the 11 kV line, the first five turbines were initially all de-rated to 200 kW maximum output which allowed all of them to run at the same time. Lately they have been taking turns operating at their full 500 kW capacity to ensure everything is running smoothly, so do not be alarmed if you visit and only one is operating!

The on-site preparation for the next stage of 44 turbines is well underway, including several new single pile foundations (which use approximately half the concrete of a gravity pad foundation). Most roads have been completed to enable the transport of components to the individual turbine sites.

Back in Christchurch, the nacelle assembly factory is filling up with components, the stores and inventory systems are all set up, the production line installed and tested, and the assembly procedures have been established, tested and documented. Production Manager Jules Ganley, confirms that production is now ramping up and will hit a new high of five turbines per month in late March.

The arrival and installation of the next batch of turbines at TRH is scheduled for June when the new electrical transmission line is expected to be ready. Over the following four to five months, Windflow will have a crew of 8-10 windsmiths and engineers on site to erect and commission those 44 turbines. The remaining orders for 48 turbines are expected this year for installation in 2009, taking up our next 18 months of production capacity.

Windflow Technology AGM

The AGM was held at the factory in Riccarton on Wednesday 24 October 2007 and attended by approximately 100 shareholders.

Most attendees took advantage of the opportunity to tour the new office and nacelle assembly facilities prior to the formal proceedings. All resolutions were passed despite the best efforts of rain and hail on a galvanised iron roof to outdo the volume of our speaker system.

An audio webcast of the AGM is available to download from our website www.windflow.co.nz.



Richardsons Drilling inserts a seven metre long steel rebar in the new single pile foundation at Te Rere Hau

Welcome New Staff

This quarter we welcome 15 new staff, some in new positions and others who are taking over roles from previous team members, all of whom bring valuable skills to their respective positions.

Malcolm Thompson – *Electrical Fitter*

Malcolm joined Windflow in September as mechanical fitter for the nacelle assembly. He previously worked for Amcor in Hornby, a cardboard manufacturer. Before that he lived eight years in UK, but is originally from Australia. When he is not working, Malcolm spends time with his family and likes to build things.



Chris Lowes – *Mechanical Fitter*

Chris started working for Windflow in September and is working in the factory assembling the mechanical parts of the nacelle. Before that he worked as a mechanical fitter for Quality Bakers. Chris lived in Scotland for 2 ½ years where he was doing maintenance on locomotives, but otherwise he has lived in Christchurch all his life and enjoys spear fishing.



Lindsay Eaves – *Wind Resource Analyst*

Lindsay joined Windflow in September as a wind resource analyst. Her main focus will be assessing the suitability of new wind farm sites, working with both the marketing and windfarm development teams. She has a background in acoustics in the UK, and came to New Zealand 2 years ago - supposedly for a 6 month holiday, but ended up staying. Outside of work she enjoys playing the bassoon, sailing, and seeing as much of the country as possible.



Astrid Kirketerp – *Marketing Assistant*

Astrid joined Windflow in October as an assistant to Sheralee MacDonald, the marketing manager. Originally from Denmark (where she grew up with wind turbines on the family farm) she came to New Zealand to complete her degree as export engineer and decided to stay. Her mix of technical and marketing experience along with being able to speak Spanish, Danish, German, and English make her a valuable addition to the marketing team. Astrid likes to sail, horse ride and orienteer.



Victoria Mason – *Office Administrator*

Vicky joined us as Office Administrator (assistant to Terry Moon) in October. Vicky is the friendly face and voice at reception and on the phones and helps with the general running of the office. She has worked in Administration roles for the last seven years and has lived in Christchurch all of her life.



Philip McLean - *Draughtsman*

Philip is a draughtsman working with the mechanical team, where he started in the middle of October. Philip previously worked for one of the largest heavy transport trailer manufacturers in New Zealand. Prior to that he worked in the automotive manufacturing industry in South Africa - his birthplace. Philip likes soccer, squash and photography.



Rolf Holmsen – *Control Systems Engineer*

Rolf joined Windflow as a Control Systems Engineer at the end of October. His responsibilities include maintaining the PLC, SCADA and HMI systems. Originally from British Columbia, he has worked in the Pulp and Paper industry in Canada, Venezuela and Brazil; Oil and Gas in Canada; Appliance Systems in New Zealand, US, Mexico, Turkey and Russia. Rolf moved to Windflow from Scott Technology in Christchurch. Rolf and his wife returned to New Zealand in 2004 and have recently built a house and had a daughter.



Richard Trudgian –***Mechanical Design Manager***

Richard joined Windflow in November as the Mechanical Design Manager and will be responsible for the overall mechanical design of the turbine. He was previously a senior design engineer at Christchurch-based Whispergen and before that worked for Case IH (an agricultural equipment manufacturer) in Bundaberg in Australia as a design engineer. Richard is married with two children. He is a keen pilot and does aerobatics.

**Phil Walker –*****Stores Controller***

Phil also started in March to replace Laurie O’Gorman as the Stores Controller, a role to which he brings 17 years experience in stores and warehouses. Phil enjoys karate and has lived all his life in Christchurch where he and his partner are bringing five children.



Kevin Twohig –***Assistant Quality Manager***

Kevin started working at the end of November with Tim Armitage on implementing the ISO 9001:2000 and IEC Certification program. He joins us after 16 years in a number of quality and engineering roles at Dynamic Controls. Kevin is originally from Wales and has settled in Rangiora, North Canterbury with his wife and two children. When Kevin finds the spare time he enjoys golf, Toastmasters, swimming, music, food, and rugby.



Martin Richardson –***Accountant***

Martin started as Windflow’s full-time accountant in March, replacing Nicola Catchpole and Rashmi Thakrar who had been working part-time. Originally from Johannesburg, South Africa, Martin has been in New Zealand four years now, where he has been doing contract accounting work. Martin is married with three sons and one daughter. In his spare time Martin is the treasurer of the Canterbury Rowing Association.



Valerie Renwick –***Accounting Assistant***

Valerie joined Windflow in January to assist the administration and finance team with the growing accounting responsibilities. Valerie previously worked for Canary Furniture, also as accounting assistant. Valerie is married with one grown up son and has lived in Christchurch most of her life. She has recently taken up golf.



Peter Chadwick –***Windfarm Operations Manager***

Peter joined Windflow in March and will be responsible for the operation and maintenance of Windflow turbines. Born and bred in Christchurch, Peter comes to us from General Cable where he worked for the last 17 years. At General Cable he worked in a variety of roles from Project Manager, Production Manager and most recently Engineering Manager. Peter started his working life as an apprentice Fitter and Turner at the NZED studying and working in a career in Manufacturing and Maintenance. He is a keen biker, glider pilot and power pilot and has just finished building his own home.



Stephen Reed –***Purchasing Officer***

Stephen joined the Windflow procurement team in January, responsible for sourcing and purchasing components for the increased production. Stephen previously worked for TMC trailers and comes from a long background in purchasing. Stephen has lived in Christchurch all his life and is married with two daughters. His interests include railways and country music.



Mark Westbury –***Inventory and Logistics Manager***

Mark joined Windflow in March from a long background of supply chain management and logistics. He is a mechanical engineer by trade and is originally from England, but moved here in 2001. After that Mark worked three years in Indonesia and then two years with Dynamic Controls. Mark is married with a ten year old son and teaches judo to 7-14 year old children in his spare time.



Profile

Awards Round Up

It has been immensely satisfying to achieve wins in both the Energy Efficiency and Conservation Authority (EECA) and Sustainable Business Network (SBN) awards at the end of last year. We see the significance of such awards as part of both building credibility and establishing a positive profile amongst ever widening audiences. In both cases the range of entries in the overall award category or event placed Windflow Technology firmly amongst the energy and sustainability leaders within New Zealand's business community.

Energy Efficiency and Conservation Authority (EECA) Energy-Wise Awards: Product Innovation - Windflow Technology first place (equal)



Energy Minister Hon. David Parker, Geoff Henderson (with Product Innovation award) and Green Party Co-Leader Jeanette Fitzsimons

Outstanding Contribution Award – Geoff Henderson was one of eight New Zealanders nominated and selected as finalists.

The judges comments were: 'New Zealand designed and developed product, price competitive on international market and offering environmental benefits such as lower embedded energy in manufacturing. Innovative use of New Zealand-sourced labour and materials and design.'

Sustainable Business Awards

Product Innovation – Winner of the Southern Region Awards in September

Sustainable Design and Innovation category - one of two 'Judges Commendations presented at the National awards in Auckland in October.

"The Windflow 500 produces more electricity for the amount of materials used in making it than other turbines of the same design class and has a cost-effective design with two blades made from New Zealand sourced pinus radiata and a robust gearbox."

Unlimited Magazine

Windflow Technology has continued to build its presence on the ground and in the media. The current (February) Unlimited magazine, which prides itself on covering the activities of movers and shakers and dynamic companies, featured an article on Geoff Henderson which was a faithful account of the company's growth, and Geoff's determination sprinkled with references of investor confidence, Vector's involvement and the awards that were recently won.

Sustainability Expo, Eco Expo, Open Days and GLOBE 2008

Windflow Technology had a display at the Canterbury Sustainability Expo which was held late January and the inaugural Eco-Expo also in Christchurch in November which had over 4000 attendees.

We also hosted a visit for interested members of the public to be shown around the Gebbies Pass wind turbine. The Sunday afternoon event attracted over 80 people, including families and locals who were keen to learn more about wind energy and Windflow Technology.

Open Day - Everyone Welcome Sunday 30 March, 3-5pm

Meeting point: Wheatsheaf Tavern in Teddington.

Car parking: Wheatsheaf Tavern.

Bus will leave 3pm, 3.30pm, 4pm and 4.30pm to transport you to Windflow 500.

In case of cancellation due to bad weather on the day, please check: www.windflow.co.nz or ring Sheralee on 021946333



In a coup for Windflow, our turbines feature as the main image on New Zealand Trade and Enterprise's "New Zealand Environmental Technology" marketing collateral which will be seen by thousands of people attending the business and environmental conference and trade show GLOBE 2008, in Vancouver in March. Windflow is also one of nine companies that NZTE is profiling there.



Focus on Marketing

Site Assessments

Windflow Technology has been involved in wind farm site assessment work for various projects throughout New Zealand. In all cases the site assessment is a preliminary 'screening' stage to identify any issues with the site that may affect its viability as a wind energy project. If the site looks promising, a comprehensive wind monitoring regime takes place that can range from a minimum of three months (as a 'no go' indicator once on-site data has been correlated with nearby long-term data) to many years if the wind resource looks adequate. This length of time is necessary to ensure confidence in a range of seasonal and annual wind data around which a case to build a wind farm can be made.

Wind farm layouts also form part of this work and Windflow Technology is building expertise in designing wind farms to maximise energy output from a site with the least environmental impact.

There are many more detailed aspects of site assessment and impact evaluation including: geotechnical, construction, transport/vehicle movements, visual, noise, ecological, cultural, archaeological, resource consent implications, and the all important cost estimates and economical analysis.

We also provide information on the technical and economic requirements and impacts of our Windflow 500 turbine at a particular site.

The Comparative Case

With the trend towards large multi-megawatt turbines in the market, we have been presenting potential customers and stakeholders with a clear comparative business case of the strengths of our two-bladed medium-size Windflow 500 and its synchronous generator. To summarise some of the main points of difference:

- Fundamentally lower weight per unit of power output ensures an inherent cost advantage
- All the transport and logistical issues are simplified saving both time and money (i.e. no oversize vehicles or bridge closures).
- Ecological disturbance is minimised by requiring only a five metre wide road for transport and erection of the Windflow 500 (multi-megawatt turbines generally require a 10 metre roadway to accommodate movement of a very large crane on-site).
- Lower visual impact of shorter turbines (and no aviation lighting required).
- Electrical grid integration characteristics match those required by the power industry.
- A robust turbine to ensure reliability and low maintenance.

At the end of the day, the main point of difference (and most important aspect for wind farm developers) is the cost of energy (c/kWh) over the life of the project.

Offshore markets:

Chile

Marketing Manager Sheralee MacDonald and Marketing Assistant Astrid Kirketerp attended the 2nd International Meeting for Investment in Renewable Energy and CDM in Chile in response to an invitation from CORFO, a Chilean government department. A market research report is being finalised, but indications are that Chile is a good potential fit with the Windflow 500 given its increasing energy demand, policies requiring increased renewable electricity, good wind resource, and similar geography and electrical system.

China

Sheralee and Geoff hosted 8 delegates from a major Chinese power engineering consulting firm in January who were on tour to learn about geothermal and wind energy design. We believe that by taking the time to greet, welcome and educate influential groups and investors on Windflow Technology we build relationships and networks that can place us in good stead when time permits.

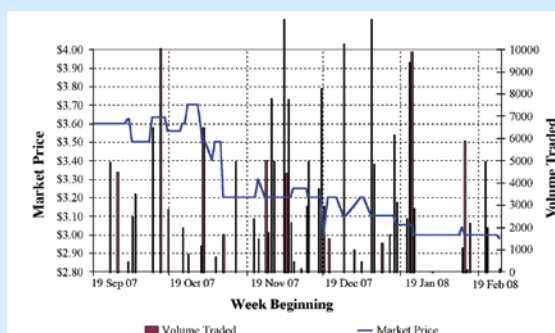


Sheralee MacDonald, Astrid Kirketerp from Windflow discuss the benefits of the Windflow 500 with Carlos Faúndez, Ecoingenieros (Chile)

Share Price

The share price was between \$3.50 and \$3.90 between May and September 2007. Shares were offered to shareholders for \$3.00 during the rights issue in October which caused the dip in price at that time. The share market itself has had a decline in past months during which time our prices have held steady. Options to buy shares at \$3.30 (WTLOA) have been trading between 24 and 35 cents since December 2007.

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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