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*"Windflow Technology is a progressive New Zealand company with exciting wind turbine technology – the smaller turbine is easily transportable and suited to New Zealand's terrain and wind conditions. Given the increasing value of wind as renewable energy source, both domestically and internationally, the company has promising growth prospects."*

William Meek,  
Mighty River Power Acting Chief Executive

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Prime Minister, Rt Hon Helen Clark  
opening the new Windflow factory

Exciting recent news is that Mighty River Power has signed an agreement to purchase a 19.95% cornerstone shareholding in Windflow Technology. This is subject to shareholder approval, but it is excellent news for all parties involved. Mighty River Power also signed a turnkey agreement for us to build them a wind farm near Wellington.

For months now wind energy has had a heightened presence in the media due to debate about the visual impact of large wind farms and the emergence of another energy crisis.

In the midst of this the official opening of Windflow Technology's new factory and office premises, with the Prime Minister Rt Hon Helen Clark officiating, enabled Windflow Technology to gain recognition for its achievements at a time when the manufacturing sector is generally seen to be struggling.

Recent concerns about falling hydro lake levels and electricity shortages provide ideal grounds for highlighting the benefits of wind energy and locally manufactured turbines. We know that Windflow Technology is capable of growing to supply at least half the additional capacity needed to keep up with electricity demand growth. Accordingly we continue to make convincing arguments around the advantages of the smaller and smarter Windflow 500 along with its reduced capital cost and the lower environmental and social impacts.

At the Energy Trusts of NZ conference I reinforced the economic and environmental sense of "smaller and smarter". I discussed a range of concerns about large turbines and large wind farms. They have lost many of wind power's advantages because, like other 'large energy' projects they cause considerable local opposition, are slow to consent and build, and if large enough will distort the market by causing electricity prices to drop initially.

At the American Wind Energy conference in the beginning of June, Windflow Technology attracted both attention and respect for the mid-size Windflow 500. We have been consistently reassured that there is a gap in the international marketplace for a modern mid-size turbine.

Finally and importantly I want to welcome our new Chief Operating Officer Tom Hooper. Tom's expertise lies in scaling up fast-growth companies. Tom is in the process of moving back to New Zealand from England and will be with us full time from January 2009 at the latest.

The Directors are mindful of the approaching exercise date for share options of 30 September. While many of the risks set out in the October 2007 prospectus are still present, the Directors believe that a massive amount of progress has been made over the last 9 months and the best evidence of that progress may be the decision by Mighty River Power to invest in Windflow both by way of subscribing for new shares and purchasing Windflow 500 turbines for their first wind farm.

As always we acknowledge the support of our shareholders.

Geoff Henderson.  
CEO/Director

## Official Opening



*Prime Minister, Rt Hon Helen Clark, Barrie Leay (Windflow Chair), Roger Sutton (CEO of Orion) and Geoff Henderson toasting at the official opening*

Over 250 shareholders, guests, energy sector representatives and suppliers attended the official opening of Windflow Technology's new factory and office premises on Tuesday 6 May.

The formal part of the proceedings had a great start with Engineering Manager and accomplished musician John Arimond playing his guitar and singing a stirring rendition of Blowing in the Wind.

We were very fortunate that Roger Sutton, CEO of Orion and chair of EECA was able to preside as master of ceremonies. Roger has been a long time supporter and observer of Windflow Technology's journey – something that he was keen to point out along with his regret at not becoming an investor in Windflow Technology in its initial business journey.

In many respects the honour of having the Prime Minister, Rt Hon Helen Clark in attendance was reinforced by the size of the media pack. At one stage the car park had every major TV channel in attendance while radio and newspaper journalists jostled for position. We were very pleased however that the Prime Minister elected to devote well over an hour of her busy schedule familiarising herself with the benefits of the Windflow 500 and being shown the production line.



*Marquee in front of the factory for the official opening*

Several broking firms sent their energy sector analysts and private client advisors for a briefing that we conducted in the board room prior to the official opening. The combination of media, brokers and shareholders shoulder to shoulder with staff and suppliers created a superb atmosphere and one that was not lost on the speakers.

Chair of Windflow Technology Barrie Leay presented the opportunities of distributed energy and outlined a number of structural issues and remedies for the energy sector. Mr Leay also highlighted how Windflow Technology had made the major transition from batch turbine production to continuous production. "The current and forward workload is now worth over \$45 million with total orders now reaching 60 turbines." said Mr Leay.

The official unveiling of the formal plaque was done by Rt Hon Helen Clark and CEO Geoff Henderson as the crowd toasted the company's future. Production Manager Jules Ganley organised tours of the factory for the following two hours.

It was fantastic to share this event with those who have followed Windflow's progress over the years, and we look forward to future milestone celebrations.





## Positive Reaction to Cornerstone

Our announcement that Mighty River Power Ltd, a leading electricity generation company, has agreed to subscribe for a 19.95% cornerstone shareholding in Windflow Technology, was greeted very positively by the share market, with a strong increase in shareholder value.

The shareholding will be in addition to the total shares on issue after Windflow completes the upcoming options exercise on 30 September 2008 (see separate item) and will be made in October 2008.

The combination of funds subscribed by Mighty River Power (expected to be more than \$7 million at \$3.00 per share) and from the options exercise (target \$5.5 million) will place us in a strong position going forward. Both sources of funding are very important in enabling Windflow to accelerate our development of new variants of the wind turbine, enter new market sectors and achieve the anticipated growth in production required to meet demand for our turbines.

Further, Mighty River Power has signed a 'turnkey' agreement requiring Windflow to build a wind farm at Long Gully near Wellington, subject to resource consent, with Windflow 500 wind turbines to be used.

"It is a significant step forward in our growth plans to be able to attract such a high profile company as both a customer and shareholder. This is the first repeat order for the same turbine type to be used at two different sites in New Zealand." says Windflow CEO Geoff Henderson. "We are very pleased to have the Windflow 500 wind turbine's technical and competitive advantages recognised in its selection by Mighty River Power as the basis of their entry into the exciting field of wind power."

"This is the first Windflow wind farm project with Mighty River Power on a very high wind speed site, where the advanced technical features, and low visual and environmental impact are strong attributes of the Windflow 500 turbine."

Mighty River Power's acting chief executive William Meek publicly described Windflow as "a progressive New Zealand company with exciting wind turbine technology – the smaller turbine is easily transportable and suited to New Zealand's terrain and wind conditions. Given the increasing value of wind as renewable energy source, both domestically and internationally, the company has promising growth prospects."

The agreements are subject to shareholder approval and shareholders will receive notice of the Special General Meeting to be held on 27 August, at which the new relationship with Mighty River Power will be explained and support for the resolutions will be sought.

For more information on Mighty River Power see: [www.mightyriverpower.co.nz](http://www.mightyriverpower.co.nz).



## Te Rere Hau Update

Over the past few months roads have been completed throughout the site, which is on the outskirts of Palmerton North, to create access to 60 of the new turbine sites. 27 single pile foundations have now also been poured in preparation for tower installation. 14 tower bases have now been delivered and erected as of mid July. This new foundation design uses significantly less concrete and steel compared to the simple gravity pad design that has been used previously. This has resulted in both cost savings and a reduction in the environmental effects.

Cabling is also well underway, with the wind farm reticulation almost completed, and work is underway on the cabling which connects the wind farm to the national grid. Completion of this work will allow the stage 2 turbines to be connected to the national grid, it is expected this work will be complete in August - weather permitting.

Windflow production staff have been busy assembling nacelles in the factory in preparation to start delivering them to site in late July.

The turbine erection program anticipates that the first seven turbines of stage 2 will be commissioned and handed over to the Te Rere Hau JV by the end of August. The original five turbines will also be connected to the new electrical network, which will allow for unconstrained power generation from these turbines.

Alongside the construction work for the turbines, the preliminary work for the Te Rere Hau site building is underway. The site building will be the base for the windsmiths who are responsible for the smooth running of the wind farm once completed. This site building will be 250 square metres and includes an office and a workshop as well as a control room for the wind farm.



# Welcome New Staff

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## **Hiro Shimizu – Control Systems Engineer**

Hiro joined Windflow in October 2007, becoming permanent in April 2008 as Control Systems Engineer responsible for maintaining the PLC, SCADA and HMI systems. Before coming to New Zealand in 2006, Hiro worked for KYB Industry Ltd in Japan for 14 years as Electrical Engineer. He also has a degree in Information and Control Engineering.

Hiro has a 4 year old daughter and is a big rugby fan and was playing rugby in Japan. He is supporting the Crusaders and the All Blacks and claims those teams were his main reason for coming to New Zealand.



## **Rodney McLachlan – Mechanical Engineer**

Rodney started at Windflow temporarily in November 2007, becoming permanent in April 2008. His role is mechanical design work predominantly for IEC certification. Rodney recently graduated from Canterbury University as a Mechanical Engineer, previous to that he worked in construction and carpentry for the theatre and film industry. Rodney is married with two children and likes to play the guitar.



## **Gary Turner – Mechanical Fitter**

Gary joined Windflow's manufacturing team in March 2008 where he helps assemble wind turbine nacelles at the Christchurch factory. He is also responsible for overseeing sub-contractors to ensure that all quality and safety standards are adhered to and inspecting components to ensure they meet specifications. Gary brings skills and experience from previous maintenance roles at the Christchurch Hospital and he learned his trade in a sheep skin tannery. Originally from Westport, Gary has now lived for more than 20 years in Christchurch. Gary has a 10 year old daughter.



## **Peter Scott – Mechanical Engineer**

Peter joined Windflow in March 2008 as a Mechanical Engineer, mainly working on the IEC calculations for the gearbox and tower. Peter previously worked at Whispergen and he has also worked for two years in Barcelona and seven years in Germany in the automotive industry. Peter is from Timaru, but now lives in Christchurch with his wife and two little girls. Peter enjoys mountain biking and rock climbing.



## **Reuben Rusk – Mechanical Engineer**

Reuben started at Windflow in March 2008 and brings expertise in 3D CAD modelling and structural and thermal FEA analysis. He spent the previous three years as the main analyst at WhisperGen Limited in the areas of CFD, thermodynamics and fluid flow, which he had developed experience in while gaining his distinction level Masters Degree. Reuben comes from Northland, but moved to Christchurch to study and he loves the South Island nature. Reuben likes tramping, playing the guitar and dancing.



## **Tom Hooper – Chief Operating Officer**

Tom joined the Windflow team as Chief Operating Officer in June 2008 and will be joining us full time when he relocates his young family from the UK to New Zealand later this year. Originally from Ashburton, and educated at the University of Canterbury, Tom has spent the previous 12 years in the UK developing and implementing business plans that led to companies under his direction being placed in the Top 100 Fastest growing companies in the UK for three years running, (2005, 2006, 2007). Tom will be responsible for managing Windflow's growth from a development based company to a full commercial sales and production operation.



## **Nick Bowmar – Sales Engineer**

Nick joined Windflow's marketing team in June 2008 as Sales Engineer, responsible for liaising with potential customers and growing the order book for Windflow 500 turbines. Nick has been the agent for Boreal Laser Inc in New Zealand and Australia for the past 10 years and brings valuable relationship building and sales skills to Windflow as well as a sound technical background. Nick grew up in Southland, but now lives in Christchurch where he has a young family with four kids which keeps him busy when he is not working.



## **Jessie Liu – Administration Assistant**

Jessie joined the administration team in July 2008. Jessie came from China to New Zealand seven years ago and graduated in 2006 from Canterbury University in Accounting, Finance and Information Systems. Jessie has previously worked for Donnithorne Simms Mitsubishi, and is studying part time at Lincoln University for a graduate certificate. Jessie likes her cat and enjoys listening to music.



## Gaining ISO 9001 and update on IEC

On 17 June we were awarded ISO 9001:2000 certification for the Windflow 500 wind turbine design, development, and production, as well as the activities involved in the installation and servicing of the turbines at wind farms such as Te Rere Hau.

This is an important forerunner to achieving the IEC standard. We have elected to go for the most stringent IEC wind turbine standard, Edition 3 Class 1A, which the company understands no other turbine manufacturer in the world has yet achieved. The majority of the design load calculations and type testing have been completed and submitted to the certifying body, Lloyds Register, and there are no major engineering issues to address. The remaining calculations and blade testing are in progress.

## Wind Gears Joint Venture

In mid June we announced a joint venture with AH Gears, the Auckland based manufacturer of the patented Windflow 500 torque limiting gearbox. The joint venture consolidates the working relationship that has spanned seven years. The new joint venture entity is named Wind Gears Ltd. The joint venture is in line with our strategy to vertically integrate our manufacturing operation into the two critical and formerly outsourced component parts – wind blades and gearboxes. Both Wind Blades Ltd and Wind Gears Ltd are currently able to supply components for 5 turbines a month.



## Conferences attended:

### New Zealand Wind Energy Association conference, 8-9 April, Wellington.

This is an annual conference and this year the theme was From Gust to Gale: Building a Sustainable Wind Industry in New Zealand. Windflow had a display stand and seven staff attended the conference. Jules Ganley, Production Manager, did a presentation on wind turbine supply - issues and solutions for NZ manufacturing.

### American Wind Energy Association conference, Windpower 2008, 1-4 June, Houston.

The conference size is a good indication of just how much the industry is growing. It almost doubled in size from last year, with almost 800 displays and over 13,000 attendees. Geoff did a presentation with the title Integrated Control of Wind and Pumped Hydroelectric Power for Islanded Grids which attracted over 300 people.

### Environmental Defense Society Conference, 11-12 June, Auckland

The conference was called Conflict in Paradise, the Transformation of Rural New Zealand. Two Windflow staff attended the conference and had a display stand. The purpose was to create awareness of Windflow's smaller ecological footprint and the benefits of smaller scale wind farms, so called local distributed generation, as opposed to very large wind farms.

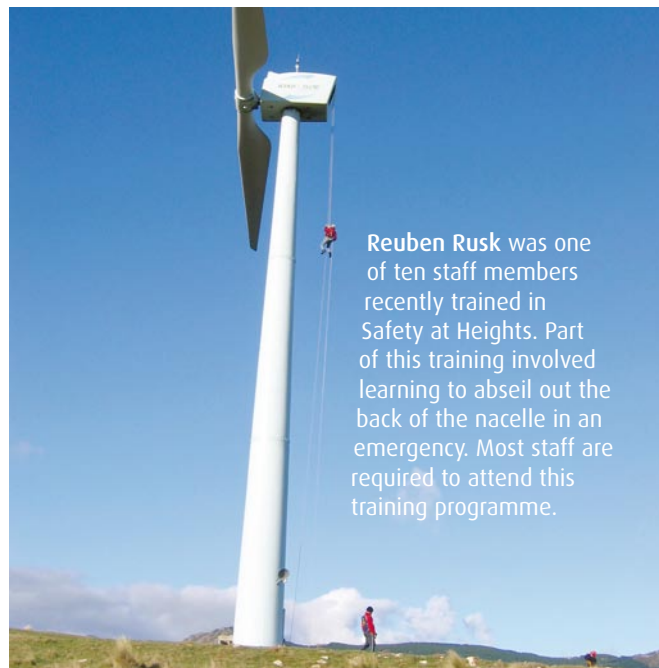


This is one of our new display posters 'Within Natures Frame'. It highlights the fact that the Windflow 500 is smaller in size than a large tree! We feel this gives a fresh insight into the environmental impact of the Windflow 500 and is a useful visual indication of smaller and smarter.

Geoff's two recent presentations at the Dunedin Science Festival and at the Hopkins Lecture in Christchurch are now available on the internet:

<http://www.windflow.co.nz/news/published-papers>





Reuben Rusk was one of ten staff members recently trained in Safety at Heights. Part of this training involved learning to abseil out the back of the nacelle in an emergency. Most staff are required to attend this training programme.

## Reminder of Options Exercise

In November 2007 Windflow Technology successfully completed a 1 for 4 Renounceable Rights Issue that raised over \$5 million. The excellent support of shareholders has helped the company to move forward in many areas including commencement of commercial manufacturing of the Windflow 500 turbine. We are now delivering on a solid order book for 2008-09.

We also need to sustain our international marketing and drive ahead on the research and development of planned new variants with their exciting potential to generate ongoing new business.

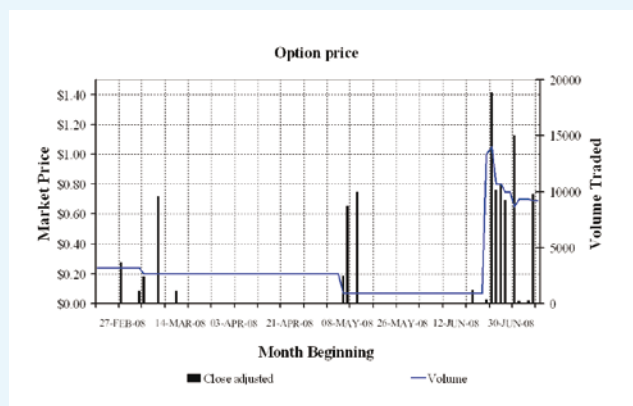
To help minimise debt and fund our business growth, shareholders were issued one option with every new share. These options are valuable as they confer the right to subscribe for additional shares at 1 for 1 by payment of a price of \$3.30 per additional share.

Holders of the options should be aware that the options must be exercised no later than 30 September 2008, at which date they will lapse and thereafter have no value.

The company looks forward to as many of our option holders as possible exercising their options. If all options were exercised that would result in a further \$5.5m of funding.

The company will write to option holders about their entitlement in August. Option holders should plan for the outlay in advance of the expiry date. Notice of exercise of the options shareholders hold, can be given from 1 September 2008.

The options are valuable and investors choosing not to exercise their entitlement fully or in part should contact their broker to trade them on the NZAX market (code: WTLOA), thus helping us to grow the investor base. As at the date of preparation of this newsletter Options have been trading between \$0.07 - \$1.10.



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