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CEO introduction

As the last newsletter was over 12 months ago, we have a lot of catching up to do, so this edition is bigger than normal. We plan to put out a newsletter every 6 months to keep everyone updated on events and activities happening in Windflow and in the wind energy industry.

The last few years have been challenging for Windflow however we have seen the company achieve significant milestones in several areas:

- The successful installation of two Windflow turbines in the Orkney Islands north of the Scottish mainland.
- Another 4 turbines to be installed in the coming months in Scotland. Between now and Christmas, several Windflow staff from Christchurch will be supporting installation and commissioning work in Scotland and Texas.
- Completion of the design including Critical Design Review of the 45 m Class 2A (60 Hz) turbine with General Dynamics SATCOM in 2013. This 500 kW turbine is optimised for lower winds than the 33 m Class 1A turbine.
- Capital raisings by issuing preference shares in 2013 and 2014 have enabled us to continue with our business plan.

We feature a few photo stories in this newsletter:- the new Class 2A turbine blades under test and on site, the Westray turbine installation, and the several new Windflow team members in New Zealand and the UK, who bring considerable experience and expertise to the company.

General Dynamics SATCOM has decided not to continue with its entry into the wind business and thus has terminated its licence agreement with Windflow. We understand this decision has arisen from a need to focus on core business, significant uncertainty about the US wind market and uncertainty about GD SATCOM's ability to establish a profitable wind turbine manufacturing operation (more on this in the Market Overview below). While this decision has naturally been disappointing, there are important positive aspects of the relationship with GD SATCOM.

Notably the Class 2A has been designed and prototyped as a valuable addition to Windflow's intellectual property. GD SATCOM is committed to completing the prototype and Windflow continues to support this through the commissioning and operations phases. In addition, following the termination of the licence, substantial Class 2A tooling assets and components have been transferred to Windflow.

The New Zealand market continues to be quiet in terms of wind energy opportunities, hence our focus in other markets, now including markets for the Class 2A turbine.

Vision Statement : Partner of Choice in Mid-size Wind

In 2013 and 2014 we have resumed our annual strategy sessions with the board and senior management teams (after the 2011 session was memorably interrupted at 12:51 pm on February 22). In these last two meetings we have cemented a vision statement for the company as "*Partner of Choice in Mid-size Wind*", looking forward to some better prospects while remaining focussed on the medium-term "1-2-3 course of action". To ensure the delivery of our strategy the company has made several new appointments in the last two years.

In summary we remain committed to realising the value of the intellectual property that Windflow has created over the years. The weight-related cost advantages of our design are fundamental, as are the economic and landscape benefits of sub-megawatt turbines. We note with interest some of the megatrends in the \$100 billion/year wind industry are pointing back towards mid-size wind for onshore developments and away from offshore developments as being rather too expensive for the austerity years that have followed the financial crisis of 2008. In any event, whether the sub-megawatt space remains a niche or experiences more dramatic growth, Windflow is staying, and intends to stay, on its course.

Geoff Henderson, CEO/Director



Nacelle and rotor installed in one easy lift on Day 3 after components arrived at Hammer Farm, Westray, Scotland

Class 2A 45-500 Design Completion

In 2013 Windflow and General Dynamics SATCOM completed the Critical Design Review of the Class 2A wind turbine that the companies had been working on for the past 18 months.

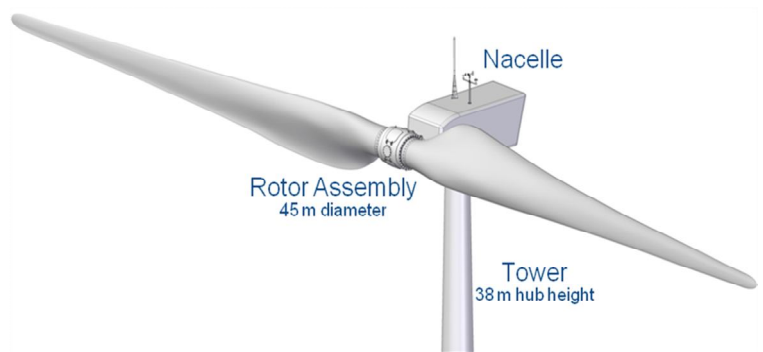
The Class 2A turbine has a larger rotor (45 m compared to 33 m) and is optimised for medium wind speeds so starts generating at 4 m/s (compared to 5.5 m/s for the Class 1A turbine).

The larger swept area means that it generates approximately 44% more energy than the Class 1A turbine at an 8 m/s annual mean wind speed site.

Due to the longer blades, it sits on a slightly higher tower but has been designed to be under 200 ft at tip height which gives it advantages for planning permission in certain markets including the USA.

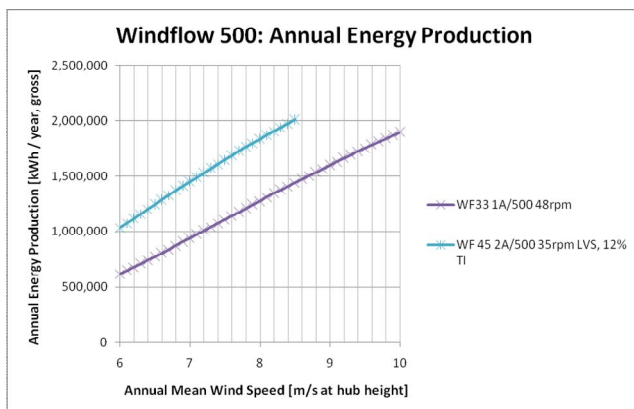
Most of the components in the nacelle are slightly larger, including the gearbox. As for the Class 1A turbine, the 60 Hz version has an output of 1800 rpm (compared to 1500 rpm for the 50 Hz version).

General Dynamics SATCOM has sold the prototype Class 2A turbine to a customer in West Texas.



	Class 1A 500 kW	Class 2A 500 kW
Rotor diameter	33.2 m	45 m
Swept area	866 m ²	1590 m ²
Hub height	30 m	38 m
Cut in wind speed	5.5	4
Cut out wind speed	30	25
Rotor speed	48-51 rpm	28-35 rpm
Tower top mass	12,700 kg	18,800 kg

Main specifications of the Class 1A and Class 2A 500 kW turbines



Class 2A Prototype Progress



Nacelle assembly nearing completion in Texas, October 2014



Proof load testing the new blade at the University of Maine, May 2014 ... and a prototype blade delivered to site in Texas, July 2014.

Market Overview

Windflows' strategy is to identify selected markets to expand its global reach by:

- Establishing Windflow USA to establish a marketing and manufacturing presence with a view to licensing the business sometime in the future. Windflow has appointed an agent in California to represent the company and is in discussion with interested parties for investing in Windflow USA.
- licensing our technology to companies that are looking for innovative wind energy intellectual property such as Windflow's teeter control system, torque limiting gearbox, and most recently its patented low variable speed (LVS) control,
- direct sales and project investments in the UK and elsewhere. To this end the company is continuing to make sales efforts in a number of target markets outside the UK, including Chile, Australia and Pacific Islands, as well as California and Hawaii. We have recently appointed Ed Duggan, who has had an outstanding 30-year career in the Tehachapi wind industry, as our agent in California. We will look to appoint sales agents in other markets as well.

With the new Class 2 turbine coming on we see a significant increase in the market opportunity geographically and across wind classes. The Windflow UK team is working to confirm a demonstration site for the new Class 2A turbine in Britain and we are looking to build the first 50 Hz version in Christchurch and have this installed and commissioned as soon as possible.

UK Projects/Sales

This year will see the delivery of five new turbines to the UK. One of these is a sale to a land owner and the others are for Windflow development projects which Windflow may sell once commissioned. While sales have been slower than expected in the last year, these five being installed in 2014 are expected to assist the UK team who are working diligently to secure more sales. They are doing direct marketing as well as working with a network of dealers to help extend their reach to potential sites for development or sales. Dealers assist the UK sales staff to extend their prospecting reach and all opportunities that they have provided are prospected to ensure that they meet the necessary conditions for a suitable financial return. Throughout the year we have developed a steady stream of potential sites from our dealers and our direct marketing.

Long Gully Update

Windflow remains interested in this consented site near Wellington City. The challenge at present is to enter into a viable supply contract and options are being evaluated at present. This site has the potential for 12.5 MW or 25 Windflow 500 turbines. Being close to Wellington Airport this presents unique challenges related to aviation and radar requirements.

UK Dealer Day and All-Energy - Aberdeen

The big UK renewable energy show is the annual All-Energy show held in Aberdeen. Windflow this year had a meeting with its dealers the day before the show to discuss new product developments, sales support requirements and opportunities and to introduce them to the new Class 2A product. We had the good fortune to have the General Dynamics Class 2 development Project Manager, Greg Atchley, attend. Greg gave an update on the development of the GD 500 45 Class 2A turbine and answered questions relating to its specifications.

The Windflow stand attracted a steady stream of enquiries throughout the two days of the All-Energy event. Our site was strategically located across from ICE Renewables and around the corner from another major international wind turbine manufacturer. Other dealers brought their contacts to the stand throughout the event to meet with key Windflow staff. Of interest was the number of people who attended from Africa and South America that expressed interest in our products.

LVS Patent

An important new technology embodied in the Class 2 turbine for the first time is the low-variable speed system which enhances the original torque limiting gearbox concept by using its mechanical variable speed system to extend the speed range over which the turbine operates. This will increase run-hours and energy output while also reducing sound levels. These improvements are particularly important at the lower wind speed sites that the Class 2 turbine is optimised for. Windflow is now patenting this invention in several countries.

NZ Windfarms

The 97 Windflow turbines at Te Rere Hau continue to perform well with high availability (>95%). A recent weather system in early October resulted in the highest winds yet recorded at Te Rere Hau, with 1-minute sustained winds as high as 176 km/h and gusts to 211 km/h. These are category 3 hurricane winds. The turbines, which are well-maintained by TRH Services Ltd, weathered the storm well.

There continue to be unresolved disputes between the two companies, but we are working hard to resolve the issues to provide the best result to the Company's shareholders. The turbines will be out of their 5 year warranty period by late 2015 and it is hoped that outstanding warranty matters will be resolved in that timescale.

Gebbies Pass consent

At the time of going to press the consent application was being processed by the City Council. The original 10 year consent has expired and we are going through a renewal process for another 10 year period. This site is important to Windflow for many reasons of which taking international visitors to see one of our turbines and also undertaking ongoing research and development are just two. Windflow is working with immediate neighbours at Gebbies Pass to ensure that all requirements under the consent application are being met.

Exporting Turbines to Britain – 18,700 km journey



Tower components from Germany, on standard trucks going to the Westray site via ferry



Two blades from NZ being delivered to Hammer Farm, Westray in February 2013



Attaching the blades to the nacelle for a single lift onto the 29 m tower on Hammer Farm



The 12.7 tonne rotor and nacelle lift needs only a single crane of 80 tonne



View to the west and 3,000 miles of sea...



Generating up to 500 kW of renewable energy at over 20 p/kWh

Windflow Generating Interest (and Electricity) in Scotland

After its 18,700 km journey from New Zealand, the first Windflow 500 was installed on the Hammer farm on Westray (one of the Orkney Islands in Scotland) in early 2013.

Five more turbines are now being built for projects in Scotland (one for the Orkney main island, one for a third party customer on mainland Scotland and three for North Harris in the Outer Hebrides). Windflow has majority ownership in joint ventures with local partners for four of these turbines and has sold the fifth.

It is pleasing to note that the Westray turbine has been producing well and has survived some extreme weather conditions, including cyclone Xaver in December. This had exceptionally high winds with gusts up to 229 km/hr and electrical activity. We continue to have issues with Scottish and Southern Electricity who have grid capacity issues and curtail the turbine's operation.

Welcome new staff



Vinni Pietras- Jensen, Chief Financial Officer

Vinni is an experienced risk management consultant and has previously held CEO/CFO roles for several Greenland fishing companies, including more than one which worked closely with Sealord. In recent years she has served as CFO for Dalekovod ApS in Greenland, a diversified company, listed on the Zagreb Stock Exchange, providing construction and manufacturing services to the European renewable energy industry.



John Schurink, Sales and Marketing Manager

John joined Windflow in December 2013 and has extensive international sales and marketing management experience. Previous roles included dealing with NZ's major energy companies selling engineering services and working with multinational companies involved in the defence and transportation industries in Australia and NZ. He also has experience in establishing dealer networks in international markets to sell NZ made products.



Michael Downey – Mechanical Engineer

Born in Zimbabwe, Michael studied at the University of Cape Town where, in 2010, he qualified with a MSc in Mechanical Engineering.

Subsequently, he worked for a research group investigating biomass gasification as a renewable energy technology. Michael moved from South Africa in mid-2013 to join Windflow.



Justin Brown – Mechanical Engineer

Justin comes to Windflow with 20 years of engineering experience across a variety of engineering disciplines more recently working for Fisher and Paykel, Skope Industries and Farra Engineering.

Justin joined Windflow as a contract draughtsman to help complete the drawing package for the Class 2 project and has subsequently become a full time employee.

Peter Harris, Control Systems Engineer

Peter is a Christchurch local of Irish origin, well-versed in software engineering and electronics. Of his time in NZ he has spent 15 years with Tait Electronics, followed by the last 3 years with Enphase Energy (modular micro-inverters for grid-connected solar panels).



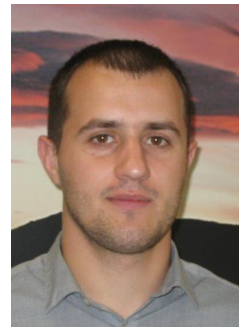
Pranav Chandnani, Control Systems Engineer

Pranav is a recent graduate of a BE in Computer Systems. He's been an Aucklander for 9 years, where he did his high school and university study, and has a strong skill-base in software and automation. He lived in Mauritius for the 10 years before that.



Oleg Kochukov, Electrical Engineer

Oleg is from Latvia and has a Masters in Electrical & Power Engineering. Before coming to New Zealand, he spent the last 6 years working for a consulting research group as a power systems specialist. As a sideline he also designs and develops home automation systems and components.



Chris Holsonback, Technical Marketing and Sales Engineer

Before a brief hiatus to move to New Zealand, Chris worked for four years for the General Electric Company in Greenville, South Carolina on wind turbine product development, loads simulations, project leadership, product strategic planning, and financial optimization. Chris is a registered Professional Engineer, and has Masters and Bachelors degrees in Mechanical Engineering from the University of Texas at Austin, as well as a minor in business. Initially recruited as a member of the R&D team, he is increasingly using his commercial skills to support the Sales and Marketing team.





Mark Scanlon, Commissioning Engineer

Mark is responsible for the assembly and testing of the wind turbines before they are dispatched to customers around the world. Mark worked for Windflow during the assembly and supply of turbines for Te Rere Hau.



James Harris, Part-time Windsmith

Jimmy Harris is a new employee at Windflow and a third year Canterbury University student with a passion for wind energy and the outdoors. Over the past four years Jimmy has been privileged enough to work on many wind farm development projects enabling him to gain a broad knowledge of meteorological data acquisition, turbine installation and maintenance.



Mila Vanushina, Accounts Assistant

Mila is from Latvia and has a Bachelors degree in Economics. Before coming to New Zealand, she was Accounts Assistant for a travel agency.

Colin Risbridger, UK Development Manager

Colin is responsible for developing Windflow's own FIT projects and providing project development support to Windflow customers. A Chartered Engineer, Colin has worked in various advisory roles on behalf of the Scottish Government as well as volunteering with local organisations in the field of community energy. Colin developed the first Windflow turbine on Westray, which led to him working for Windflow UK.



Stephen Squires, UK Sales Manager

Steve is responsible for sales to landowners and wind developers across the UK. Steve has been involved with the wind industry in a variety of business development roles since 2002.



Windflow Christchurch staff May 2014



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