NZ WINDFARMS LIMITED (NWF)
PRELIMINARY ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

On behalf of the Directors it is my pleasure to report on the progress the Company has made in the year to 30 June 2009.

As highlighted in the December 2008 Interim Report, the most significant event for the Company during this reporting period occurred on 8 December 2008 when the Company announced that its wholly owned subsidiary, NZWL-TRH Limited, had reached an agreement with NPBB Pty Limited to purchase NPBB's 50% interest in the Te Rere Hau Wind Farm Joint Venture for $20.1 million in cash. The first tranche payment of $18 million was settled on 17 March 2009 and the balance of $2.1 million is due on 17 September 2009.

The acquisition of NPBB’s interest in the Te Rere Hau wind farm has focused our attention and resources on maximising value extraction from this high quality asset ahead of other sites with lower wind speeds.

FINANCIAL PERFORMANCE

Financial performance was steady for the year to 30 June 2009. Net operating deficit before discount on acquisition of the remaining 50% interest in the Te Rere Hau Joint Venture and tax, was $2,655,000 (30 June 2008 - $3,654,000 profit). Revenue from electricity generation increased from $162,000 in the 2008 financial year to $812,000 as turbines were livened to the grid and became operational. However, this revenue increase was offset by higher operational costs and depreciation from the extra commissioned turbines. Revenue has also been impacted by lower than expected electricity prices resulting from higher than average inflows of water into the hydro lakes and lower demand due to the economic recession. Interest income of $2,938,000 was $2,860,000 less than in the 2008 financial year due to lower interest rates prevailing in the market and as a result of expending funds on the Te Rere Hau build programme.

The discount on the acquisition of NPBB’s 50% share of the Te Rere Hau Joint Venture was $3,209,000. This does not include the future income the Company will receive from the extra 50% of the carbon credits from the project as these are not recognised until earned.

Net profit for the year was $961,000 (30 June 2008 - $2,418,000). Total assets at 30 June 2009 were $94,413,000 (30 June 2008 - $84,046,000).

DIVIDEND

The 2007 Prospectus forecasted that no dividends were expected to be paid in the financial years ending 30 June 2007 and 30 June 2008 and that the Company’s intended dividend policy was to pay 50% of the operating free cash flow earned from the sale of electricity from the financial year ending 30 June 2009 onwards.

During the year ended 30 June 2009 the operating free cash flow earned from the sale of electricity was a deficit of $3,011,000. The cash flow deficit is the result of timing delays from that forecasted in the Prospectus to complete construction of the Te Rere Hau wind farm.

As a result your Board has resolved that no dividend will be declared for the financial year ended 30 June 2009.

FUNDING

Following the successful capital raising in June 2007, the Company secured the financial resources to progress with its share of the Te Rere Hau project and to accelerate the sourcing and consenting of further projects.

The acquisition of NPBB’s 50% interest in the Te Rere Hau Wind Farm Joint Venture is a positive step forward in driving the Company’s growth through the purchase of an asset on an excellent site that is familiar and well advanced in construction.

The acquisition has resulted in the requirement to raise additional funds to complete the Te Rere Hau wind farm project.

However the Board has determined that it will not finalise a funding strategy until it has a better understanding of the implications of not receiving IEC certified turbines, and has established that the turbines are or will be fit for purpose for the Te Rere Hau wind farm site.

The consequence of not having finalised its funding strategy is that there exists at the date of this report an uncertainty that the Company is in a position to pay its debts as they fall due. The Board and management are totally focused on obtaining independent expert advice on whether the turbines supplied and to be supplied are fit for purpose and if they are not, what is required to make the turbines fit for purpose.

GOING CONCERN

The financial statements have been prepared using the going concern assumption. The continued operations of the Group are dependent on the ability to fund future activities from operational cash flows and funding.

The Company and its subsidiaries have prepared business plans and budgets which indicate that cash generated as a result of operations is insufficient for the Company to continue operating for a period of at least 12 months from the date these financial statements were approved by the Board of Directors.

The Company is proposing to raise funding in order to complete the development of the Te Rere Hau wind farm. On completion of the wind farm the Company's cash flow projections demonstrate sufficient net cash surpluses to fund the ongoing operations of the wind farm. The timing and method of raising funding will be determined by the Board pending progress with resolving the IEC certification issue.

For the reasons set out above, the Board believes the going concern assumption is a valid basis on which to prepare the financial statements. The Board reached this conclusion having regard to the circumstances which they consider likely to affect the Company during the period of one year from the date these financial statements are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption.

While the Board is confident in the Company's ability to continue as a going concern, there is uncertainty with respect to achieving the operational cash flows predicted and the raising of additional funding prior to utilisation of available cash resources. Accordingly, there is uncertainty as to whether the Company can continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable. If the Company was unable to continue in operational existence and pay debts as and when they become due and payable, adjustments have to be made to reflect the situation that assets may need to be realised and liabilities extinguished other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

The external auditor has referred to the fundamental uncertainty in its audit report.

TE RERE HAU PROJECT

Since October 2008 when the electricity connection was completed for the site, progress on the installation of turbines has been good. All of the 28 turbines in Stage 2 and 13 turbines of Stage 3 had been fully commissioned by the end of the financial year. The remaining 19 Stage 3 turbines are expected to be fully commissioned by the end of October 2009. At 19 August 2009 a total of 50 turbines were livened to the grid and operational.

Turbine availability for the first six months of the 2009 calendar year was reported by Windflow Technology to be 91.4%. This is below the warranted availability level of 95%, which gets calculated over a full calendar year. Recently installed turbines are currently operating at an acceptable level. Depending on the year end availability figure a warranty claim may apply.

The Te Rere Hau wind farm is currently consented for 97 turbines. The last 32 turbines comprise Batch 4 of the turbine order placed with Windflow Technology on 30 September 2008.

When selecting the Windflow WF500 turbines for use at Te Rere Hau, NZ Windfarms required that Windflow Technology agree to seek Class 1A Design Certification of the WF500 turbine in accordance with the International Electrotechnical Committee Standard WT-01:2003 (“IEC Class 1A Certification”). The Company has placed orders with Windflow Technology for 97 turbines in reliance on positive progress reports from WTL on the certification process.

Windflow Technology has advised that the turbines supplied to date and intended to be supplied for use at Te Rere Hau will not meet IEC Class 1A Certification standard. We are now seeking expert advice to determine how material the difference between the turbines supplied is from turbines that would gain IEC certification. We are also reserving our position in regard to what mitigation or remediation we will seek from Windflow Technology. Our objective is to be satisfied that all of the turbines supplied by WTL will be fit for purpose on the Te Rere Hau site.

On 29 May 2009 NZ Windfarms lodged a Resource Consent application with Tararua District Council to install 56 turbines in an area adjoining the current consented Te Rere Hau wind farm. This Extension area has a better wind resource than the lower slopes of the existing farm and hence NZ Windfarms would like to preferentially locate most or all of the Batch 4 turbines in this area. Submissions closed on 27 July 2009 and management is in the process of reviewing them. The Resource Consent hearing is scheduled to commence on 5 October 2009.

We recently had an independent energy yield forecast completed for the whole Te Rere Hau site, incorporating wind and turbine performance data gathered from the site over the past two years. This has shown by optimising the development and siting the 32 Batch 4 turbines in the Extension area an expected annual energy yield of 153 Gigawatt hours per annum is forecast from an installed capacity of 48.5 MW (97 turbines). The study has also shown that the expected annual output from siting all the Batch 4 turbines on the lower slopes of the existing consented Te Rere Hau site would be 122 Gigawatt hours per annum.

The location and timing of the construction programme for Stage 4 will depend on the progress and outcome of the consent application and the IEC review, and the Company will choose the best option to give the optimum outcome.

Successful consenting of the Extension area will also present NZ Windfarms with expansion opportunity beyond the current project scope and allow existing infrastructure to be leveraged. NZ Windfarms forecast output from 56 turbines (inclusive of the planned relocation of Batch 4 turbines) in the Extension area is 95 Gigawatt hours per annum.

Should we be successful with the resource consent we will evaluate the economics of installing the additional 24 turbines in the Extension area.

OTHER PROJECTS

In May 2009 the Company sold its interest in the Mt Stuart project, near Milton, Otago. As signaled in the Interim Report, the Mt Stuart project was not significant to NZWL and the sale allows all efforts to focus on successful completion of the Te Rere Hau wind farm. The sale resulted in a small gain for NZWL.

Earlier this year a review of the WindPower Maungatua wind farm project showed that continued investment in the project could not be justified and that lead to the decision to abandon the project. In recognition that NZ Windfarms will not proceed with this project capitalised costs to date have been expensed.

DIRECTORS AND STAFF

On 1 May 2009 Wyatt Creech was appointed as an additional Director of NZ Windfarms Limited. Shareholders will be invited to confirm this appointment at this year’s Annual Meeting.

The refocus on Te Rere Hau has seen a staffing restructure to better match staff resources with planned activity level. Staffing levels will continue to be monitored to ensure optimal resources are achieved.

FUTURE PROSPECTS

Our first priority remains the completion of the Te Rere Hau project. We want to achieve a quick resolution to the present issue with Windflow over turbine certification so we can proceed with confidence to raise the necessary funding to complete the project. A positive outcome to the resource consent application on the Extension will also provide a better energy yield from the first 97 turbines ordered.

By the end of October we will have the first three stages of the project completed, a total of 65 turbines which are expected to provide an annual energy yield of 95GWh. This will enable the Company to generate positive operational cash flow on an annual basis with expected electricity and carbon prices and average annual wind conditions.

Completion of Stage 4 will be dependent on the outcome of the resource consent process but we are optimistic that we can complete that stage by the end of the financial year

We are forecasting a small profit for the year ended 30 June 2010, with the Company generating positive profits and cash flow from the following year, once the project is completed. However, the Company is still exposed to the spot market for electricity revenue and thus will have earnings volatility while this remains the case. We continue to monitor this exposure and the trade-offs between revenue certainty and the cost of achieving that certainty with a generation source subject to the weather conditions on a daily basis.

Derek Walker

Chairman

For further information contact:

Steve Cross

Chief Executive Officer

021 899 853 or 03 943 5410