

SHAREHOLDERS ANNUAL MEETING

24 November 2015

Annual Meeting Script

Chairman's welcome

Good afternoon ladies and gentlemen.

It is my pleasure to welcome you all to the 2015 annual meeting of NZ Windfarms.

In accordance with the Company's constitution, a quorum for a meeting of Shareholders is 10 security holders present in person or by proxy.

I am able to declare that a quorum is present and so declare the 2015 Annual General Meeting of Shareholders of NZ Windfarms Limited open.

Regarding the mechanics of the meeting, for the record, would shareholders please give their name when speaking to a motion or under general business.

In addition to specific discussion and questioning on the Resolutions and Annual Report and Financial Statements, there will be an opportunity at the end of the meeting for shareholders to ask questions on general matters relating to NZ Windfarms.

1. Introduce Board Members and Executive Management

It is with pleasure that I introduce my fellow directors at the top table with me.

Vicki Buck

Dr Julian Elder

Simon Mackenzie

Michael Stiassny

Today we also have with us:

Our Chief Executive, Chris Sadler

Our Chief Financial Officer, Derek Eades

Our Financial Administrator, Ali Angove

We also have present Andrew Burgess, representing Deloitte, our auditor for the 2015 financial year and Malcolm Crotty and David Raudkivi from Russell McVeagh.

2. Notice of Meeting

All shareholders and the auditor of the Company have been sent a copy of the Notice of Meeting, and Shareholders who have requested it will have received a copy of the 2015 Annual Report.

3. Proxies

As Chairman of the meeting and shareholder I hold 37,325,625 proxies which represents 13% of the shares. In addition my fellow director Michael Stiassny holds 63,882,729 representing 22.2% of the shares.

4. Apologies

We have no apologies.

Are there any apologies from the floor?

5. Chairman's address

Welcome to the 2015 Annual General Meeting for NZ Windfarms.

Before commencing the formal section of this meeting I would like to comment on the key features of the year to 30 June 2015 as published in the Annual Report and update shareholders on progress since that date.

INTRODUCTION

At the last AGM I said that the Company would continue to focus on issues under its control to improve the performance of the business. I am pleased to report that we have made very good progress over the last year in a number of these areas.

Firstly, we have made significant progress towards improving the present and future operating performance of the turbines. This has been achieved through extensive analysis to establish the root cause of premature failures occurring key turbine components, and implementation of design and operational changes that are expected to significantly extend the lives of these components over what has been experienced to date. Our Chief Executive, Chris Sadler will provide more detail on these activities shortly in his presentation.

Secondly, we have reached a conditional settlement with Windflow Technology over all outstanding claims between the two businesses. This agreement, if approved by Windflow Technology shareholders, will provide us with \$1m in cash, convertible notes that can be converted for a 9.9% shareholding in Windflow Technology and importantly, access to the necessary licence and know-how to ensure we can independently operate, maintain and improve our turbine fleet. The agreement is subject to Windflow Technology shareholder approval at its Annual General Meeting on 30 November. With the turbines now all out of warranty, this settlement provides us the means and control to further focus our efforts on improving turbine reliability and performance.

Thirdly, the outstanding legal actions over the resource consent have been completed. The appeal by the Palmerston North Council (PNCC) in the Court of Appeal, claiming that Te Rere Hau is not compliant with Condition 1 of its Consent, was decided in NZ Windfarms favour and the three of the four remaining actions in the Environment Court relating to different noise conditions were also decided in NZ Windfarms favour. The Environment Court had previously determined that PNCC can instigate a review of the TRH noise conditions under S128 of the Resource Management Act and we expect the PNCC to instigate this review. Although this is positive progress, the Consent issues will not be finally resolved until the Section 128 process has been completed.

BUSINESS STRATEGY

Despite progress on the above issues, Company profitability still remains challenging. The Board acknowledges that investors have been disappointed with performance to date and we share that disappointment. I wish to assure you we have, and will continue to work to protect the business and improve performance within the areas over which we have control.

We have followed, and will continue to follow, strategies that prioritise protecting the business and the safety of the people that work in it, minimise our controllable costs and to the extent possible maximise revenue.

Reduce Risks

To date, much of our focus has been on reducing risk to protect the business and have a medium term sustainable cost base. We have faced challenges with the performance of the turbines including premature failures with key components. We have also had a challenge to our right to operate under our resource consent.

NZ Windfarms has directed a huge amount of effort and resource into understanding the root cause of component failures and developing, testing and implementing design improvements to overcome these failures and extend the expected lives of these components. Due to the challenges that have faced our supplier, Windflow Technology, the level of effort that we as a customer have had to put into these solution has been much higher than would be the case if the turbines had been supplied by a more established and better resourced supplier. We have had to do this within the constraints

of protecting our warranty position and this is reflected in the warranty recoveries we have made. Our technical and management staff have done an excellent job in managing this process, and working with Windflow Technology to get enduring solutions and we are now starting to see the rewards of this work.

We have also had to put significant resource into protecting our position in relation to our resource consent which has involved demonstrating compliance with the noise conditions in the original consent. These conditions are consistent with wind industry noise standards. It is disappointing to us that the Palmerston North City Council have not engaged with us in a more pro-active way to resolve the noise issue and have instead been intent on a court process. Even since the court determinations we have not been able to engage with the Council who have yet to respond to our request for a meeting sent on 30 April 2015.

Since taking over the operation and maintenance of the wind farm, the Board and management have also ensured we have best practice health and safety policies and processes. Work on the wind farm poses a number of potential hazards and the physical environment can at times be extremely harsh. We maintain constant oversight of health and safety, backed up by periodic independent reviews. These reviews show that the people in the business have a very good attitude towards health and safety and there is a proactive approach to learning and improving.

Cost Focus

Our cash cost structure falls into three main categories – the direct costs of maintaining, operating and repairing the wind farm, the financing costs for the finance and operating leases for the electrical infrastructure, and lastly the overhead costs of running the business.

I have already spoken about the work taken to stabilise and reduce maintenance and repair costs. The next biggest cost is the electrical infrastructure lease costs. Three years ago we investigated re-financing the leases, but at that time we would have had to pay a repayment premium and due to our short operational track record and the uncertainty around the reliability of the turbines and whether we were meeting our noise conditions, obtaining finance would have been challenging. We are now in a position where we are actively pursuing a re-finance of these leases. The period when a repayment premium was payable has passed and the present lower interest rate environment means that re-financing and taking control of maintenance will reduce overall costs for the business. We are in the process of determining the appetite of the banking sector to refinance our current electricity network financing arrangements.

As a listed Company we are required to maintain a prudent level of governance and management expertise. The Board regularly reviews the overhead costs of the business and is working to keep the overhead cost to the absolute minimum required. As noted earlier, the Company has had a number of issues to address, but as these are completed and we enter a

period of a more steady state operations, every opportunity will continue to be taken to review and reduce our overhead cost.

Increase Revenue / Hedging

The revenue is determined by the amount of electricity we produce and the price we receive for it. Our production is primarily dependent on the amount of wind received at the site and the efficiency of turning this into electricity. Our correlation of recent wind resource to the long term average does show that we have been in a period of below average wind run over the last few years. As noted earlier, for calendar year 2014 when the average wind speed was close to the long term average at our reference site, we produced close to our present long term average prediction of 130 GWh per annum. That long term prediction was reduced two years ago from the previous prediction of 152 GWh based on our operational experience and our belief that the conversion efficiency of the Windflow turbine as measured by the power curve was less than expected. The conversion efficiency can only be improved by a fundamental redesign and rebuild of the turbine and this is not economically viable. We are however analysing individual turbine performance against predictions and identifying sites where production is below expectation. Turbine siting has a big impact on individual turbine production and this analysis may identify opportunities to re-site poor performing turbines to other already consented sites to improve output. This will require careful analysis to ensure any re-siting provides a net benefit after costs and does not impact on any of our consent conditions.

The other component in determining revenue is electricity price. We have been through a period of flat or declining wholesale prices due to suppressed demand following the global financial crisis, the Christchurch earthquake and uncertainty around the future of the Tiwai aluminium smelter. Recent announcements on the retirement of some thermal plant means that there will be a closer match between supply and demand going forward and prices on the futures market have started to firm. We regularly assess whether to hedge some of our output but our analysis to date has shown that this is not likely to enhance average revenue. Because wind farm output is not controllable, traditional hedging products cannot provide the expected revenue stability that can be achieved from generators with plant that can be controlled or those with a mix of plant types. Offers received for generation following hedges have been at a substantial discount to average prices. Chris will discuss this and provide examples in his presentation.

PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Our performance for the year ended 30 June 2015 is well covered in the Annual Report.

In summary, our fourth full year of operation featured improved performance across a number of factors. Electricity revenue increased, as prices were higher than in the previous year, whilst generation output was maintained at a similar level to the previous year. The significant reduction in warranty income reflected improved turbine reliability as well as the expiry of the initial five-year warranty period for the majority of turbines. Improved reliability was also reflected in significantly improved turbine availability. Operating and overhead

costs were reduced across most categories of expenditure. All these factors have resulted in a reduction in the level of annual loss sustained.

ELECTRICITY REVENUE

Electricity generation was 123 gigawatt hours (GWh) for the year, a small increase over the 122.6 GWh recorded in the previous year. This was achieved with significant variations in average monthly wind speed during the year.

Wholesale electricity revenue for the year increased by 11%, attributable almost entirely to a corresponding increase in average electricity spot prices.

OPERATIONAL PERFORMANCE

Maintenance expenditure was reduced, reflecting our on-going improvements in design and operation. This resulted in average availability of 96.5 per cent for the financial year. This is a favourable increase in average availability of 2.3 percentage points over the previous year.

This result is a credit to the skills and professionalism of our technical team and operational staff. The improvement in reliability was achieved through technical innovation and the implementation of a robust planned maintenance program that reduces damage to the turbines. This excellent operating performance has been achieved whilst reducing employment costs, reflecting further increases in productivity by our on-site operations team.

FINANCIAL PERFORMANCE

Electricity sales for the year totalled \$7,657,000, which represented a 12% increase over the \$6,887,000 recorded in 2014. The increase was due to the average wholesale electricity price received increasing from \$56.19 per megawatt hour (MWh) in 2014 to \$62.26 per MWh in the current year.

Direct maintenance, operating costs and indirect overhead costs all reduced in comparison with 2014. Part of the reduction recorded in the profit and loss statement was due to the capitalisation of some major turbine components from 1 July 2014. This results in an increase in depreciation and a loss on disposal but reduces operational and employment expenses.

Warranty recoveries fell significantly from 2014 levels due to the general reduction in the level of maintenance and the falling number of turbines still covered under warranty. All the turbines are out of the initial five-year warranty, as of mid-July 2015.

The overall result for the year was a significant drop in the loss after tax, to \$159,000 in comparison with \$1,229,000 in 2014. We generated \$1.26 million cash from operating activities and spent a similar amount on asset renewals and purchases, including \$330,000 for the construction of an extension to the existing building on-site. The extension provides more workshop and warehousing space, which will further improve productivity and reduce future logistics costs.

We have carried out a review of the value of the assets on the balance sheet, which has indicated no further impairment is presently required. Details of the

methodology and assumptions used in the review are included in note 12 to the accounts.

SHARE PRICE

The Company recently received a very preliminary expression of interest to acquire the Company. However, following the increases in the Company's share price and before any engagement was commenced, this party withdrew its expression of interest.

SHAREHOLDER DISTRIBUTION

The Directors understand the desire of shareholders to receive a return on or of the capital invested in the Company. Our original dividend policy remains in place, which is to pay any surplus funds to shareholders. However, before making a distribution, the directors must be satisfied that the Company has sufficient surplus cash to distribute without exposing the Company to undue risk. Presently the Company is required to maintain \$6.5m on deposit with the BNZ as security for the guarantee the bank provides in favour of Powerco in respect of the lease on electrical infrastructure on the wind farm. Until we have firm refinancing offers, we do not have access to that cash for distribution, and the best use of those funds for shareholders may be to use them towards the repayment of the lease thus limiting the amount of debt finance that has to be raised. The remaining cash is presently being held by the Company to meet working capital requirements and provide a buffer against a period of low wholesale prices or any adverse future costs associated with consenting issues or unexpected equipment failures. Sustainable shareholder distributions will require the Company to produce

regular cash surpluses – as an example a 1 cent per share annual distribution would require \$2.9 million in cash to be available each year.

Our modelling based on the actions being taken to reduce costs and likely future higher electricity prices does show future cash surpluses that if achieved will allow the payment of shareholder distributions either by way of dividend or capital repayment. However, until that cash is available it remains prudent to hold the present cash funds on the balance sheet.

OUTLOOK

In summary, we are making real progress on improving the technical and financial performance of the business. Revenue will always be subject to the vagaries of the weather in terms of both output and price, but I trust that we demonstrate today that we are taking prudent actions to firstly protect the business and do all we can to improve the profitability of the business going forward.

Thank you.

6. CEO address

I will now ask our CEO, Chris Sadler, to address the meeting and provide an operations overview of the Te Rere Hau wind farm

..... Thank you Chris.

I will now move on to the formal business of the meeting.

The first formal item is the:

7. Annual report and financial statements

The Annual Report, which includes reports from the Chairman and CEO, and the financial statements for the financial year ended 30 June 2015, has been circulated and is taken as read. I invite questions and comments in respect of the 2015 Annual Report and the presentations made this afternoon.

We have roving microphones available around the room. I ask that any shareholders wishing to speak raise your hand and a microphone will be brought to you. In the interests of other shareholders who may want to ask a question, please keep your questions brief and state your name.

I also ask that, in the interests of fairness to all shareholders attending this meeting, anyone wishing to speak be as concise as possible and be considerate to other shareholders who may also wish to ask questions.

Questions and answers in respect of the 2015 Annual Report and the presentations made this afternoon.

8. Resolutions

The second formal item is consideration of the Resolutions contained in the Notice of Meeting. All the Resolutions are ordinary resolutions and are required to be passed by a simple majority of votes.

As advised to the market yesterday, Vicki Buck and Michael Stiasny have informed me that they have decided not to seek re-election as directors of the Company and will step down from the Board at the conclusion of this Annual Meeting. This means resolutions 2 and 3 will not be put to the meeting.

The resolutions that we will now be voting on are as follows:

- Resolution 1: That the Board be authorised to fix the auditor's fees and expenses for the financial year ending 30 June 2016.
- Resolution 4: That Heiko Mueller-Cajar be elected as a Director.
- Resolution 5: That Samuel Viskovic be elected as a Director.
- Resolution 6: That the Board prioritise the identification of on-going cost savings to enable the payment of a maiden dividend in 2016.

In my capacity as Chair I direct that a poll be held for each of the resolutions. I have appointed our audit representative to be scrutineer for the resolutions.

I and my co-directors hold **undirected** proxies with respect to:

- Resolution 1 (Audit Fees) - 64,178,931
- Resolution 4 (Heiko Mueller-Cajar) - 64,223,120
- Resolution 5 (Samuel Viskovic) - 64,220,807
- Resolution 6 (The Shareholder Resolution) - 64,262,965

We intend to vote all of these shares in favour of the first resolution and against resolutions 4, 5 and 6.

There will be an opportunity to ask questions on, or speak to each resolution being put to shareholders and then time provided at the completion of these to complete your voting cards

If anyone is unsure how to complete the voting card or hasn't got a card, if you go to the Link Market Services desk you passed as you walked in, someone will be able to help you.

RESOLUTION 1

Resolution one is that the Board be authorised to fix the auditor's fees and expenses for the financial year ending 30 June 2016.

I move, as an ordinary resolution, that the Board be authorised to fix the auditor's fees and expenses for the financial year ending 30 June 2016.

Is there any discussion on this resolution?

There appears to be no [further] discussion. We will now move to the next resolution.

RESOLUTION 4

Resolution four relates to the election of Heiko Mueller-Cajar, having been nominated as set out in the Notice of Meeting.

I invite Heiko to address the meeting on his proposed election.

Address from Heiko Mueller-Cajar

Thank you Heiko.

I now move, as an ordinary resolution, that Heiko Mueller-Cajar be elected as a director.

Is there any discussion on this resolution?

There appears to be no [further] discussion. We will now move to the next resolution.

RESOLUTION 5

Resolution five relates to the election of Samuel Viskovic, having been nominated as set out in the Notice of Meeting.

I invite Samuel to address the meeting on his proposed election.

Address from Samuel Viskovic

Thank you Samuel.

I now move, as an ordinary resolution, that Samuel Viskovic be elected as a director.

Is there any discussion on this resolution?

There appears to be no [further] discussion. We will now move to the next resolution.

RESOLUTION 6

Resolution six relates to a shareholder proposal requesting the identification of on-going cost savings to enable the payment of a maiden dividend in 2016. On 31 August 2015 the board of NZ Windfarms Limited received a proposed shareholder resolution from Mr Peter Cormack to be put before the shareholders at the Annual Meeting.

The resolution requests that the directors of NZ Windfarms Limited prioritise the identification of on-going cost savings to enable the payment of a maiden dividend in 2016.

The resolution, if passed, will not be binding on the board of NZ Windfarms Limited however if the resolution is passed the Board will reconsider its position at that stage based on shareholder views.

I invite Peter to address the meeting on his proposal.

Address from Peter Cormack

I now move, as an ordinary resolution, that the Board prioritise the identification of ongoing cost savings to enable the payment of a maiden dividend in 2016.

Is there any discussion on this resolution?

There appears to be no [further] discussion and that completes the Resolutions.

VOTING

If you wish to vote on these motions, you must use the voting card that was given to you by Link Market Services when you entered the meeting. When you cast your vote, please tick one box either for, against or abstain, alongside each resolution in the section marked Voting Instructions. Please remember that resolutions 2 and 3 have been withdrawn, but please vote on all of the remaining resolutions as detailed in the Notice of Meeting.

After voting, you should place your voting card in one of the ballot boxes which will be passed around the room.

If anyone is unsure how to complete the voting card or hasn't got a card, if you go to the Link Market Services desk you passed as you walked in, someone will be able to help you.

Once all the votes have been cast, they will be counted by the Company's share registrar, Link Market Services, and scrutinised by the Company's auditor. The results of today's meeting will be released to the NZX on the completion of verification of voting.

9. General Business

At this point we will open the floor to any questions on other matters you would like to raise.

Are there any items of general business to be discussed?

Prior to closing, I would like to formally acknowledge the contribution that Vicki Buck and Michael Stiasny have made to this Company. Both Vicki and Michael have invested considerable time and effort in seeking to lift the Company's performance through what have been very challenging times.

I know both are pleased to see the recent significant lift in the Company's share price, the agreement with Windflow Technology Limited and ongoing improvement in the technical issues facing the wind farm.

Both have always worked in the interests of all shareholders of this Company. Vicki is a passionate advocate for renewable energy and always has an empathy with shareholders, particularly for the smaller shareholders in the Company. Vector has been a supportive shareholder ever since it took a cornerstone position in the Company and Michael as one of their representatives has applied his extensive governance and financial skills to protecting the Company and improving its future value. I thank them both for their support and contribution – Board meetings won't quite be the same without you both.

I now declare the formal proceedings of the Annual Meeting closed, and would like to thank you for your attendance and interest in the Company's business.

Please join us for light refreshments.