

**NZ WINDFARMS LIMITED**

**NOTICE OF ANNUAL MEETING OF  
SHAREHOLDERS**

## NZ WINDFARMS LIMITED

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of NZ Windfarms Limited (the "Company") will be held at The Seminar Room, Palmerston North Convention Centre, 354 Main Street, Palmerston North on Tuesday 29 November 2016 at 10.30 am.

The Explanatory Notes which accompany this Notice of Meeting set out the details of the transactions which are the subject of the resolutions and the approval required for each resolution by the shareholders of the Company pursuant to the Main Board Listing Rules (the "Listing Rules"), the Companies Act 1993 and the constitution of the Company.

#### BUSINESS OF THE MEETING

**1. Election of Rodger Kerr-Newell as Director pursuant to Listing Rule 3.3.13**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

Rodger Kerr-Newell retires in accordance with the provisions of the Constitution of the Company and offers himself for election as a director. Accordingly, the shareholders of the Company are requested to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

*"That Rodger Kerr-Newell be elected as a director of the Company."*

**2. Election of Stuart Bauld as Director pursuant to Listing Rule 3.3.13**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

Stuart Bauld retires in accordance with the provisions of the Constitution of the Company and offers himself for election as a director. Accordingly, the shareholders of the Company are requested to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

*"That Stuart Bauld be elected as a director of the Company."*

**3. Election of Thomas Cameron as Director pursuant to Listing Rule 3.3.13**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

*"That Thomas Cameron be elected as a director of the Company."*

**4. Election of John Southworth as Director pursuant to Listing Rule 3.3.13**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

*"That John Southworth be elected as a director of the Company."*

## 5. Remuneration of Auditors

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That the Board are authorised to fix the remuneration of the Company’s auditors, Deloitte, for the forthcoming financial year ending 30 June 2017.”*

## 6. Issue of up to 23,000,000 Options to Senior Executives and Directors - Ordinary Resolution – Listing Rule 7.3.1

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“The Directors of the Company are authorised to:*

- (a) issue up to 23,000,000 options to acquire ordinary shares in the Company, to senior executives and to directors of the Company on the terms set out in the Explanatory Notes accompanying this Notice of Meeting; and*
- (b) take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to the issue of the options.”*

## NOTES

### 1. EXPLANATORY NOTES

Explanatory Notes for Resolutions 1 to 6 (inclusive) are set out in the following pages.

### 2. PROXIES

In accordance with the Constitution of the Company, any security holder of the Company entitled to attend and vote at the Annual Meeting may appoint a proxy to attend and vote at the Annual Meeting in the place of the security holder. The proxy appointed is not required to be a security holder in the Company. A proxy form is enclosed.

The Chairperson of the meeting is willing to act as proxy for any shareholder who wishes to appoint him for that purpose. If you appoint the Chairperson and you do not indicate how the Chairperson should vote, the Chairperson will, provided he is not interested in a particular resolution, vote in favour of Resolutions 1, 2, 4, 5 and 6, and will vote against Resolution 3. It is requested that any proxies granted to the Chairperson include directions from the shareholder for voting for all resolutions.

Proxy forms must be received at the office of NZ Windfarms Limited’s share registry, Link Market Services, PO Box 91976, Victoria Street West, Auckland 1142, New Zealand or at its registered office at 376 North Range Road, Aokautere, Palmerston North, 4471, New Zealand, not less than 48 hours before the meeting, being 10.30am on Sunday 27 November 2016.

Alternatively, online proxy forms may be lodged at:

<https://investorcentre.linkmarketservices.co.nz/voting/NWF>.

Initial information including your CSN/Holder Number and Authorisation Code (FIN) will be required to successfully validate holdings before shareholding information and voting pages are displayed.

All persons registered on the Company's register of shareholders as the holders of shares as at 5pm on Monday, 28 November 2016 shall, subject only to any applicable voting restrictions (if any), be entitled to vote at the Meeting in person or by proxy.

By Order of the Board of Directors

**Rodger Kerr-Newell**

**CHAIRMAN**

## **EXPLANATORY NOTES**

### **Listing Rules, Companies Act and Constitution**

The Company is listed on the NZX Main Board (“Main Board”) and must comply with the Main Board Listing Rules (“Listing Rules”). In addition, various provisions of the Listing Rules are included in the Company’s constitution. The Companies Act, the Company’s constitution and the Listing Rules contain specific requirements which are relevant to the resolutions comprised in this Notice.

The implications of the Listing Rules, the Companies Act and the constitution, insofar as they relate to each resolution, are addressed in the Explanatory Notes to each resolution.

### **Resolutions**

The resolutions which are to be considered at the Meeting are all ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of shareholders of the Company, entitled to vote and voting.

Set out below is further information on the resolutions to be proposed at this Meeting.

#### **RESOLUTION 1:**

#### **ELECTION OF RODGER KERR-NEWELL AS A DIRECTOR OF THE COMPANY – ORDINARY RESOLUTION**

On 1 March 2016, the Board of the Company appointed Mr Kerr-Newell as a director of the Company to fill a casual vacancy.

In terms of the Constitution, the Listing Rules and the Companies Act, Mr Kerr-Newell is required to resign as a director of the Company as at the date of the next annual meeting of shareholders of the Company.

Mr Kerr-Newell has been nominated to act as a director of the Company, and shareholders are being asked to consider, and if thought appropriate, appoint Mr Kerr-Newell as a director of the Company.

A brief biography for Mr Kerr-Newell is provided below:

Mr Kerr-Newell has extensive senior management and governance experience in both the public and private sector. Mr Kerr-Newell is a past Chief Executive of Hutt City Council, New Plymouth District Council, Rodney District and Taranaki Investment Managers Limited, and is a former board member of Business NZ.

Mr Kerr-Newell brings key strengths in strategy, financial management, cost cutting and knowledge of local government regulatory processes to NZ Windfarms Limited.

The Board considers that Mr Kerr-Newell, if elected, would be an Independent Director for the purposes of the NZX Main Board Listing Rules.

**RESOLUTION 2:****ELECTION OF STUART BAULD AS A DIRECTOR OF THE COMPANY – ORDINARY RESOLUTION**

On 15 February 2016, the Board of the Company appointed Mr Bauld as a director of the Company to fill a casual vacancy.

In terms of the Constitution, the Listing Rules and the Companies Act, Mr Bauld is required to resign as a director of the Company as at the date of the next annual meeting of shareholders of the Company.

Mr Bauld has been nominated to act as a director of the Company, and shareholders are being asked to consider, and if thought appropriate, appoint Mr Bauld as a director of the Company.

A brief biography for Mr Bauld is provided below:

Mr Bauld is a Chartered Accountant and a former partner of PWC and is presently a self-employed consultant providing services to private clients, principally related to governance, financial structures and general investment matters.

Mr Bauld has extensive experience in audit and corporate finance, and has governance experience in both private and charitable organisations.

The Board considers that Mr Bauld, if elected, would not be an Independent Director for the purposes of the NZX Main Board Listing Rules.

**RESOLUTIONS 3 AND 4:****ELECTION OF THOMAS CAMERON AND JOHN SOUTHWORTH AS DIRECTORS OF THE COMPANY – ORDINARY RESOLUTIONS**

The following two nominations for Directors have also been received:

- Thomas Cameron has been nominated for election by Jason Palmer; and
- John Southworth has been nominated for election by LET Securities Limited.

The Constitution of the Company allows for a maximum of 8 Directors. If all of Resolutions 1 to 4 are passed, there will be a total of 4 Directors on the Board. For the remuneration of the additional Directors (if elected), the NZX Main Board Listing Rules allow for the Board fees payable to be increased on a pro-rata basis without requiring approval by a further ordinary resolution.

The Board's view is that if elected, Mr Thomas Cameron will qualify, and Mr John Southworth will not qualify, as an Independent Director for the purposes of the NZX Main Board Listing Rules.

Each nominee has provided a brief biography as set out below.

**Thomas Cameron (Resolution 3)**

*Mr Cameron holds a Bachelor of Commerce, and has significant wind farm development and operation experience, acquired over a period of 15 years.*

*Mr Cameron co-founded Energy3 in 2005, and has grown the company to provide consultancy services to wind farm developers and wind farm operators in both Australia and New Zealand. In addition Energy3 has successfully developed both the Weld Cone, and Lulworth Wind Farm Projects, the Dominion Salt Project, and consented the 7MW Flat Hill Wind Farm Project.*

*As a board member Mr Cameron would utilise his extensive operational skills gained from managing active wind farms in New Zealand to provide a meaningful contribution to NZ Windfarms key target of lowering production costs, and thereby improve financial performance.*

A copy of Mr Cameron's CV is attached to this Notice of Meeting.

**John Southworth ED, B.C.A, NZSE Dip, plsc (Resolution 4)**

John Southworth has provided the following statement.

***Fellow Shareholders,***

*I am a candidate as director of NZ Windfarms and would like to explain why I have been put forward and who I am. I do ask for your support. I will represent all shareholders in my endeavours to make the most of this company, its operations and its considerable assets. For anyone that wants to contact me before the meeting my contact details are below.*

**BACKGROUND**

*I am a director of LET Securities Ltd which owns approximately 8% of the company. Simply my money is in with your money. These shares were brought around a year ago because I saw considerable value in the company which, we all know, has been affected by a range of factors.*

*There has been considerable change in the company over the past 12 months which I see as positive. This includes a substantial refreshing of the board, movement on the resource consent dispute and external reviews of the company and its operations.*

*My view is that these moves consolidate the value of the generation assets which, as we know, are considerable. I do support these initiatives wholeheartedly.*

*However this re-positioning of the company, its approach and its attitude needs further support and input with someone who has real "skin in the game". This is a considerable investment for me.*

*My goal is to further align the company's goals with that of shareholder outcomes and interests. I will not mince words, **IT IS ABOUT GETTING SHAREHOLDER RETURNS.** My primary goal is dividends but all options, naturally, need to be considered.*

**SO HOW CAN I ADD VALUE?**

*I have considerable experience in turning around difficult situations and considerable investment experience in listed companies. Most recently I was appointed to a board of the manager of a public property investment trust with 4,000 unitholders as unitholder representative in an opposed vote. The unitholders gave me an overwhelming mandate to return their capital to them. The assets were sold and this was achieved in less than 12 months, giving back considerable value to the long suffering unitholders.*

*I have extensive experience in large corporate transactions both public and private. Professionally I advise a large international investment bank on difficult or distressed assets in New Zealand and Australia. I have worked with this bank for a number of years. Prior to that I was investment manager responsible for New Plymouth District Council's investment fund for four years until 2009 and achieved top of class returns. I have also led sales and research teams in institutional listed equities in New Zealand including Head of NZ Institutional Equity Sales for ANZ Securities (NZ) Ltd. Naturally I have professional qualifications including a Bachelor of Commerce and Administration from University of Victoria, focused on finance, and a New Zealand Stock Exchange Diploma. My specialty is understanding and resolving difficult financial positions.*

*I was a Certified Securities Analyst Professional, Institute of Finance Professionals New Zealand Inc, from 1994 to 2011 and a Member of the New Zealand Stock Exchange from 1997 to 2000.*

*I have also held governance positions in a number of roles including that of Chairman of Rodney Properties Limited, a council controlled organisation responsible for the sale of properties for Rodney District Council, and other executive roles.*

*To sum up, I will represent all shareholder interests. I will make hard decisions. I will promote and originate change where the outcome will benefit the company. And I will support the staff that are essential to the company.*

*John Southworth  
021 930 451*

The information provided by the new director applicants has not been validated. Usually when Board vacancies arise the Board undertakes a structured process to identify and evaluate potential candidates in a professional manner. Candidates are fully researched for their professional experience, expertise, independence and references. The skillsets they bring also need to be considered alongside those provided by the existing Directors. This process balances the introduction of new skills to the Board, whilst maintaining continuity, and ensures that shareholders are given the opportunity to appoint the most appropriate candidates. The nominees have not yet participated in the Board's structured appointment process.

**RESOLUTION 5:  
RE-APPOINTMENT AND REMUNERATION OF AUDITOR – ORDINARY RESOLUTION**

Deloitte is automatically re-appointed as the auditor of the Company under section 207F of the Companies Act 1993. Resolution 5 authorises the Board to fix the fees and expenses of the auditor.

**RESOLUTION 6:  
ISSUE OF UP TO 23,000,000 OPTIONS TO EXECUTIVES AND DIRECTORS – ORDINARY RESOLUTION**

Listing Rule 7.3.1 states in general terms, that shareholder approval must be obtained for any issue of Equity Securities (which includes the Options) by the Company and, accordingly, shareholders' approval is being sought in accordance with Listing Rule 7.3.1.



In accordance with NZX Main Board Listing Rule 9.3.1, Messrs Kerr-Newell and Bauld and their Associated Persons are restricted from voting on this resolution.

## **General**

The Board seeks approval to issue up to 23,000,000 options to acquire ordinary shares in the Company (“Options”) to senior executives and directors of the Company, and its subsidiary companies, if any (“Group”).

The Directors consider that it is beneficial for the Company to offer and to subsequently issue Options to certain current and future senior executives and directors, for the following reasons:

- The issue will encourage recipients of the Options to hold shares in the Company assists in encouraging a high level of commitment and retention, and aligns their interests with those of external investors;
- The Options will only be issued to targeted recipients who are considered to be particularly valuable to the growth and development of the Company;
- The structure of the issue of the Options will assist the Company in retaining the key staff of the Group for the future;
- The opportunity to offer Options to prospective new senior executives and directors will assist the Company in securing the services of those parties as part of the package available to be offered to those parties;
- The offer of Options provides an appropriate way to incentive senior executives and directors without the Company incurring a direct cash cost.

The Board proposes to issue 5,750,000 Options to Mr Kerr-Newell, the non-executive chairman of the Board, and 5,750,000 Options to Mr Bauld, who is an executive director of the Company. The total pool of Options available for allotment is 23,000,000.

It is anticipated that Mr Kerr-Newell and Mr Bauld will both have very heavy workloads in respect of their roles as directors of the Company for a protracted period of time as they seek to optimise the operational and financial performance of the Company in the future. The allocation of the Options to Messrs Kerr-Newell and Bauld in part reflects the additional work that will be required to be undertaken by them in addition to their regular duties as directors of the Company.

The Options proposed to be issued to Messrs Kerr-Newell and Bauld are proposed to be issued for services to be provided by those directors outside their capacity as directors of the Company. Those services include being actively involved in:

- A deep strategic review of the of the Company’s existing commercial operations and capital structure;
- Identifying, and where appropriate, implementing new restructure initiatives;

- Identifying and investigating potential commercial opportunities and strategic relationships for the Company;
- Investigating potential acquisition and disposal opportunities;
- Where appropriate, implementing new commercial opportunities and initiatives.

In the event that resolution 6 is not approved, the Board will not seek approval of shareholders to any other form remuneration for the provision of the above services. The Board does reserve the right to compensate those directors who provide specific services to the Company, in addition to the provision of their services as directors, for the provision of those services in accordance with prevailing legal requirements.

The balance of the Options proposed to be issued will be set aside in a pool for allocation to existing or future senior executives of the Company. The Board has not yet determined who the balance of the Options will be allocated to at this time. The Board will determine who the balance of the Options will be allocated to, and in what proportions, based upon a number of criteria, including (i) seniority of the executive in question, (ii) the workloads of the respective executive, (iii) the desire of the Board to attract and/or retain the services of the respective executive, (iv) the remuneration package of the executive, and such other factors as the Board may consider appropriate at the time of making its determination.

No Options under the ESOP will be issued to:

- Other directors of the Company, or to future directors of the Company; and
- Associated Persons (as that term is defined in the Listing Rules) of either of Messrs Kerr-Newell and Bauld.

### **Value of the Options**

Given the Options currently have no genuine current market value, having regard to the fact that exercise price for the Options is significantly higher than the current market price of the Company's ordinary shares, The Board believes that there is virtually no value attributable to the Options, other than a purely nominal value at this time.

### **Dilutionary impact of exercise of Options**

#### ***Directors Options***

The Options proposed to be issued to Messrs Kerr-Newell and Bauld represent 4% of the total share capital on issue as at the date of this Notice.

In the event that Messrs Kerr-Newell and Bauld were to exercise all of their Options, and no other Options were exercised, Messrs Kerr-Newell and Bauld would hold 11,500,000 shares in the Company, representing approximately 3.83% of the total number of shares on issue post the exercise of their Options and the issue of their new shares.

#### ***Total Options Pool***

The total pool of Options proposed to be approved by shareholders represents 8% of the total share capital on issue as at the date of this Notice.

In the event that:

- All 23,000,000 Options were issued; and
- All 23,000,000 Options were exercised,

the holders of those Options would hold 23,000,000 shares in the Company, representing approximately 7.39% of the total number of shares on issue post the exercise of their Options and the issue of their new shares.

### **Terms of issue of the Options**

The principal terms of the Options are as follows:

- Each Option entitles the holder to acquire one ordinary share in the Company;
- The exercise price payable in respect of each Option, so as to acquire one ordinary share is as follows:
  - 50% of the Options issued have an exercise price of 12.5 cents per Option, payable upon the exercise of those Options; and
  - 50% of the Options issued, have an exercise price of 15 cents per Option, payable upon the exercise of those Options;
- In respect of each recipient's allocation of Options, one half of the Options allocated to each recipient will have an exercise price of 12.5 cents, and the remaining half of the Options allocated will have an exercise price of 15 cents;
- The Options may only be exercised in the period commencing on the date of their issue and ending on that date being 3 calendar years after the their date of issue (**Exercise Period**). The Options shall vest in the holder on the date of their issue;
- Any Options which are not exercised during the Exercise Period shall lapse;
- Shares issued upon exercise of an Option shall be credited as fully paid and rank equally in all respects with shares on issue at the relevant exercise date (except for any dividend or other entitlement where the entitlement date occurs prior to the exercise date);
- The Options are not transferable without the prior approval of the Company in writing;
- The Options shall not confer on the holder the right to participate in rights issues undertaken by the Company;
- The holders of the Options will not be entitled to vote at any meeting of the shareholders of the Company;

- On any consolidation, subdivision or other reconstruction of shares the number of shares over which each Option is exercisable will be adjusted in proportion to the reconstruction, and the aggregate exercise price will remain unchanged;
- If, during the Exercise Period, the Company undertakes a bonus issue to the shareholders of the Company, the number of shares over which each Option is exercisable will be increased (or, at the election of the holder, additional shares may be reserved for issue on the exercise of the option) by the number of shares which the holder would have received if the option had been exercised before the record date for the bonus issue. The total exercise price shall remain unchanged however,

and otherwise on the terms set out in the Share Option Allocation Deed entered into between the Company and the holders of the Options.

### **Requirement for Resolution**

Listing Rule 7.3.1 states in general terms, that shareholder approval must be obtained for any issue of Equity Securities (which includes the Options) by the Company and, accordingly, shareholders approval is being sought in accordance with Listing Rule 7.3.1.