

25 October 2023

Letter to Shareholders

For immediate release

MARKET UPDATE: TE RERE HAU WINDFARM REPOWER COMMERCIAL TERMS – MERIDIAN PARTNERSHIP, MERIDIAN PLACEMENT AND SHAREHOLDER RIGHTS ISSUE

NZ Windfarms Ltd: (NZX Code: NWF) is very pleased to announce that it has reached agreement with Meridian Energy Ltd (NZX Code: MEL) (Meridian, New Zealand's largest electricity generator) to pursue the development and repower of Te Rere Hau wind farm, subject to conditions including NWF shareholder approval, and Final Investment Decision by both parties which includes satisfactory consenting, third party contracting and financing arrangements.

As part of the commercial terms, NWF will today make a placement of 43.2m NWF shares to Meridian, amounting to 15% of its existing equity capital, totalling \$6.7m, at a price of \$0.155 per share. This represents a premium of 32% to the current market price of NWF shares (\$0.117 per share on 25 October). Meridian will then have a 13.04% shareholding in NWF.

NWF will also undertake a pro-rata renounceable 1:8.5 rights issue of approximately 39.0m shares to existing NWF shareholders at a price of \$0.155 per share (the same price as the Meridian placement), raising up to approximately \$6.0m (Offer).

The Offer will be underwritten by Meridian up to approximately 28.8m shares (being up to approximately \$4.5m).

The Board is delighted that Meridian is prepared to become a supportive minority shareholder in NWF, augmenting our agreed commercial terms and providing NWF with a platform for future growth. The NWF Board will invite Neal Barclay, the CEO of Meridian, to join the NWF Board (non-remunerated) after the annual shareholders meeting.

Renounceable Rights Offer

The Offer is a pro-rata renounceable rights issue of 1 new share for every 8.5 existing shares held by eligible NWF shareholders on the Record Date (rounded up).

To be eligible a shareholder must have a registered address in New Zealand on the Record Date or otherwise satisfy NWF that it can participate in the Offer in compliance with all applicable laws.

The Offer is of fully paid ordinary shares of the same class as already quoted on the NZX Main Board. The issue price will be payable in cash on application.

NWF will seek to have the rights under the Offer quoted on the NZX Main Board.

If quotation of rights is granted by NZX, eligible shareholders who do not wish to take up all or some of their Rights may sell some or all of their Rights on the NZX Main Board. However, the issue price of shares under the Offer is at a premium to the market price of shares prior to the date of this announcement. Rights should only have value and be tradeable if the market price of NWF's shares exceeds the issue price under the Offer. Shareholders should seek financial advice if required.

The key dates for the renounceable rights offer are as follows:

Rights trading opens:	2 November 2023
Record Date for determining Rights:	5pm 3 November 2023
Opening Date for the Offer:	7 November 2023
Dispatch of Offer Documents and Entitlement Forms:	7 November 2023
Rights trading ceases:	14 November 2023
Closing Date for the Offer:	5pm 20 November 2023
Allotment of New Shares:	by 27 November 2023

The above dates are subject to change at the discretion of NWF, and subject to compliance with NZX Listing Rules requirements. NWF reserves the right to withdraw the Offer at its discretion.

Pursuant to clause 20(1)(a) of Schedule 8 to the Financial Markets Conduct Regulations 2014 (FMC Regulations), and the Financial Markets Conduct Act 2013 (FMCA), NWF states that:

- NWF is making the Offer in reliance upon the exclusion in clause 19 of Schedule 1 to the FMCA and is giving this notice under clause 20(1)(a) of Schedule 8 to the FMC Regulations.
- As at the date of this notice, NWF is in compliance with the continuous disclosure obligations that apply to it in relation to ordinary shares in NWF, and there is no information that is “excluded information” as defined in clause 20(5) of Schedule 8 to the FMC Regulations, other than the information disclosed in this letter.
- As at the date of this notice, NWF is in compliance with its financial reporting obligations.
- The Offer is not expected to have any material effect or consequence on the control of NWF, but the underwriting of the Offer by Meridian may increase its shareholding from 13.04% up to a maximum of 19.99% of the shares in NWF after completion of the Offer.

Te Rere Hau Repower

Once built, the repowered Te Rere Hau wind farm is expected to produce approximately 740 to 753 GWh of renewable electricity, 7x the existing wind farm, and 1.7% of New Zealand’s electricity production. If built now, it would be New Zealand’s second largest wind farm after the neighbouring Turitea wind farm.

NWF has secured resource consent from the Environmental Protection Authority (EPA) for the repower of its wind farm with up to 30 new larger turbines. On 20 October 2023 NWF lodged a new application for resource consent for a further 9 turbines on the adjoining Aokautere Forest Block (Aokautere Extension) under the New Zealand Government’s Fast Track Consent process.

NWF has secured conditional access to a new transmission corridor through a combination of a land purchase and an easement, allowing the new wind farm to connect directly to the Transpower Bunnythorpe-to-Wilton transmission line, whilst maintaining a backup (referred to as “Hotel power”) with the existing connection through the Mercury Energy-controlled Tararua 3 (T3) substation under a contract with Mercury that expires in 2031.

NWF has secured access rights to land for the repower, including that for the Aokautere Extension, through a combination of owned and leased land, and wind rights agreements.

1. Why Repower?

The rationale for repower can be summarised as:

- Transition from older wind turbine technology;
- Fully utilise the wind resource;
- Generate substantially more renewable electricity;
- Larger revenue stream, with more electricity price certainty; and
- Reduced operating expenditure (opex) per MWh with a long-term operations and maintenance contract.

Te Rere Hau wind farm was constructed between 2005 and 2011 and occupies a world-class wind location in the Tararua Ranges, attracting a Class 1A IEC rating. Advances in wind turbine technology since commissioning of the existing fleet of 91 two-bladed WF500 turbines mean wind resource at the site is not now fully utilised. The existing fleet (if not repowered or replaced) would likely require gradual decommissioning of units commencing from 2032 and reach the end of its economic life somewhere between 2036 and 2046.

NWF has been investigating a repower to ensure sustainable and profitable operation of the wind farm in the long-term, by taking advantage of more efficient turbine technology. NWF has also been able to negotiate a significant expansion option with its neighbour, Ernslaw One, called the “Aokautere Extension”, which will improve the economics of the repower.

The current 91 x 0.5MW turbines have produced 108 GWh on average during the last six years and have a P50 generation output of 117 GWh and capacity factor of approximately 29%. Installation of up to 39 modern, three-bladed turbines (between 4.2MW and 5.0MW each) across the existing and Aokautere Extension sites should increase electricity production approximately seven-fold to about 740 to 753 GWh and a capacity factor of approximately 50%.

This increase in generation capacity, combined with a 15-year Power Purchase Agreement (PPA) with Meridian (discussed in further detail below) provides a larger revenue stream with lower risk. Newer turbines usually also have significantly lower operating and capital costs on a per MWh basis, and lower overall financial risk since they operate in a wider range of wind conditions and are supported by a long-term Original Equipment Manufacturer (OEM) operations and maintenance contract covering the turbine life (expected to be 30 years).

In addition, if the repower proceeds, Te Rere Hau will benefit from visual uniformity with neighbouring wind farms in the Tararua Ranges. NWF anticipates that the repower will contribute towards further decarbonisation of the electricity generation sector and New Zealand’s transition to a carbon-zero future. A repowered and expanded wind farm is expected to generate 781 full-time equivalent local jobs (FTEs) during construction and 122 FTEs in ongoing operations.

2. Why Meridian?

Although NWF has operational expertise, the development expertise and capital cost estimate of in the order of \$500-600m¹ required to repower an enlarged wind farm without a long-term PPA in place was viewed by directors as problematic for a small wholesale merchant generator with a market capitalisation of approximately \$34m (at 25 October closing market price of \$0.117). Following our request for expressions of interest and an intensive engagement process, Meridian was selected as the preferred partner, and both parties have been working to complete the documentation required to present a comprehensive proposition to shareholders, summarised in Section 12.

Meridian is NZ’s largest electricity generator, with a market capitalisation of \$12.8 billion and majority share ownership (51%) by the New Zealand Government. Meridian has an external S&P rating of BBB+

¹ Real 2023 \$ excluding capitalised interest.

(stable). Partnering with Meridian gives NWF an opportunity to enable the repower and extension of Te Rere Hau wind farm whilst providing potential to pursue future development opportunities.

In NWF's view, Meridian's proposal most closely aligns to NWF objectives, by maximising returns to shareholders, enabling an ongoing influential NWF ownership stake and optimising project delivery through wind development expertise. Key elements of Meridian's proposal include:

- Meridian offers robust wind development experience, including the currently under-construction Harapaki wind farm. Meridian is well placed to apply its learnings and efficiencies from its other operational wind farms to this project.
- Value-accretive transaction structure, including Meridian agreeing to fund certain development costs up to the Final Investment Decision and to utilise non-recourse project finance debt with a view to maximising equity returns.
- Enables NWF to retain a position of influential ownership, with NWF having a right to a 50% ownership stake (subject to finance) and corresponding representation on the project company board, as well as a lead position on certain work-streams for the repower and Extension. See Section 12.
- Competitive off-take arrangement whereby, if the repower project proceeds, Meridian will provide a 15-year PPA for 100% of the electricity generated by the wind farm, with market pricing subject to certain minimum and maximum inflation-indexed price parameters, providing price certainty for the first 15 years. See Section 12.
- Meridian demonstrating a desire to partner with NWF and alignment of corporate values with NWF's, despite the substantial difference in company size and resources.

3. Why is capital being raised now?

Now that agreement has been reached with Meridian, NWF needs to plan how it can fund its share of the repower equity (including Aokautere Extension), how to fund itself through the period to practical completion, and how to fund its wind farm development pipeline. The Board has resolved to raise capital in the first instance by a placement to Meridian and to provide NWF shareholders with the opportunity to invest further at the same price.

The placement to Meridian and rights issue will provide some funding certainty to NWF as it transitions from operating its existing single-asset Te Rere Hau wind farm to becoming a diversified renewable electricity owner and developer, anchored by its core investment in a repowered and enlarged Te Rere Hau wind farm. The capital raising will also align NWF with Meridian as its investment partner in the repower project.

As NWF moves to Final Investment Decision (expected April 2025) when NWF's existing wind farm (and only cashflow-generating asset) may be dismantled and potentially relocated, it is prudent not to have any material debt.

In addition, NWF has recently been successful in securing exclusive rights to explore wind farm potential on a number of properties unrelated to Te Rere Hau. These properties are at an early stage of investigation, but we believe they provide exciting medium-term potential development opportunities. The capital raising will provide NWF with funding to undertake feasibility analysis of them and potentially take them forward to development.

The rights issue will provide NWF shareholders with the opportunity to increase their investment in NWF. The rights issue will be partially underwritten by Meridian (at no underwriting cost) up to approximately 28.8m shares (being up to \$4.5m). The rights issue is therefore expected to raise between approximately \$4.5m and \$6.0m.

The combined placement and rights issue will provide NWF with new equity of \$11.2-\$12.7m, which should be sufficient (with cashflow from its existing wind farm) to fund its operations through to Final Investment Decision for the repower and to enable it to pursue its pipeline of renewable energy projects.

4. What is the repower proposition for NWF shareholders?

- NWF and Meridian will work jointly to repower and expand Te Rere Hau wind farm, subject to conditions including shareholder approval and Final Investment Decision by both parties (with Final Investment Decision including consenting, third party contracting and financing). Given that the repower project has been and is being consented utilising the Fast-Track Approval process, the repower is required to make progress by “giving effect” to the consent within two years (31 May 2025).
- NWF and Meridian will form a 50:50 joint venture entity to repower Te Rere Hau wind farm (including the Aokautere Extension) comprising up to 39 large turbines and a new 220 kV grid connection.
- The new wind farm is expected to cost in the order of \$500-600m and will be funded by a mix of equity and limited-recourse project debt. Subject to NWF arranging financial commitments, the equity will be funded 50:50 by NWF (or a funding entity controlled by NWF) and Meridian. If NWF is unable to fully fund its planned 50% share its interest in the joint venture will reduce.
- Subject to a Final Investment Decision, Meridian will provide the joint venture with a 15-year PPA, at a market price, subject to certain minimum and maximum inflation-indexed prices.
- NWF will sell certain existing wind farm assets that are necessary for the repower including consents, land, wind rights, roading and electrical grid connection infrastructure to the joint venture for a total purchase price (including goodwill) of approximately \$47.4m and NWF will also be reimbursed approximately \$2.9m of capitalised resource consent costs.
- Meridian will fund required external development expenditure up to an agreed amount to take the project to Final Investment Decision.
- NWF will retain ownership of certain assets, including its existing towers, turbines, meteorological mast and some electrical equipment for potential alternative reuse.
- A Final Investment Decision to proceed with the repower and the Aokautere Extension is expected in or about April 2025.
- Following the Final Investment Decision, it is expected that construction will take 2.0-2.5 years, depending on outcomes such as availability of equipment, time of year for start date, and ground and weather conditions.
- NWF will transition to becoming a renewable electricity owner and developer, anchored by the repower. NWF has a number of early-stage but promising prospects in the pipeline, which it will now seek to firm up, potentially, but not exclusively, in partnership with Meridian.

5. What are the high-level metrics of the Repower and Aokautere Extension?

The following table provides a high-level comparison of the current wind farm with the proposed repowered wind farm, including the Aokautere Extension.

	Existing	Te Rere Hau Repower	Aokautere Extension	Total Repower
Number of Turbines	91	Up to 30	Up to 9	Up to 39
Output per Turbine	0.5MW	4.2 to 5.0MW	4.2 to 5.0MW	4.2 to 5.0MW
Max Output	45.5MW	126-150MW	37.8-45MW	163.8 – 170MW
Annual Energy Generation (P50)	117GWh	559 – 574 GWh	166 – 194GWh	740 – 753GWh
Capacity Factor (P50)	~29%	~50%	~50%	~50%
Tip Height	45m	Up to 162m	Up to 162m	Up to 162m
Hub Height	30m	80-101m	80-101m	80-101m
Blades	2	3	3	3

	Existing	Te Rere Hau Repower	Aokautere Extension	Total Repower
Blade Length	15m	Up to 65m	Up to 65m	Up to 65m
Land area (Ha)	558ha			1207ha
Grid connection	Shared via Mercury's T3 substation	New owned grid connection	New owned grid connection	New owned grid connection
Hotel Power	No	Yes	Yes	Yes
PPA	Short term VVFPAs	15-year PPA	15-year PPA	15-year PPA
OEM support	No	Yes	Yes	Yes
Wind farm operator	NWF	MEL and OEM under contract	MEL and OEM under contract	MEL and OEM under contract
Opex/MWh	\$33/MWh			\$12/MWh
NWF share of EBITDAF ²	\$3-6m			~\$25-30m ³

6. What is the financial impact of the Repower including Aokautere ?

NWF has undertaken extensive modelling of the repower and Aokautere Extension and made the comparison with the existing Te Rere Hau wind farm. However, there are conditions for the repower project to proceed and NWF and Meridian are still approximately 18 months away from Final Investment Decision when they will have confirmed contract pricing for wind turbine supply and installation, and civil and electrical plant, and finalised equity and debt pricing. The Final Investment Decision will require an acceptable financial return to be demonstrated to both NWF and Meridian. In addition, the terms of the PPA with Meridian explicitly require confidentiality on the terms of the price cap and collar being paid. So the following are the NWF Board's preliminary views assuming that the repower project is completed as planned under the agreement with Meridian:

- NWF's share of EBITDAF would increase from approximately \$3-6m to approximately \$25-30m p.a. based on the assumptions set out in Section 5, and the following:
 - CPI as per Reserve Bank of New Zealand August 2023 monetary policy statement and 2% p.a. long term.
 - Electricity price forecasts sourced from Energy Link.
 - NWF's share of overhead costs is approximately \$1.5m p.a.⁴
 - No revenue from renewable energy certificates.
- The targeted project IRR is approximately 9.0% post-tax.
- NWF risk should reduce substantially because the Meridian PPA will provide a long-term contracted wholesale market-based price with a strong counterparty which is within a CPI-indexed cap and floor price for the first ten years and above a CPI-indexed floor for the next five years. In addition, operational risk will be managed through an expected 30-year turbine operation-and-maintenance contract with pricing certainty. Financial risk should be reduced through long-term 15-year non-recourse project debt finance and the financial strength of Meridian as an equity partner. In contrast, the existing Te Rere Hau wind farm is, and is likely to remain, subject to predominantly short-term pricing and illiquid market demand under variable volume fixed price agreements (VVFPAs) and an ageing turbine fleet with reducing availability over time which no longer has OEM support.

² NWF's previously announced market guidance for FY2024 EBITDAF is \$3.0-4.5m which assumes a higher confidence full year generation estimate of 106 GWh and an estimated blended electricity price of \$92.50 per MWh which incorporates VVFPAs prices levels, estimated spot prices, hedge ratios and seasonally-adjusted generation profiles. The Existing EBITDAF range in the table adopts the low end of NWF's market guidance and the upper end is higher since it reflects a normalised estimate including P50 generation of 117GWh and Energy Link forecast electricity prices in order to be comparable with the basis of the repower EBITDAF estimates.

³ The Repower EBITDAF reflects a normalised estimate based on P50 generation and other assumptions set out in Section 5 and 6.

⁴ Overhead costs includes NWF's 50% share of project overheads and its own overheads but excludes costs for further development opportunities.

- NWF's ability to pay regular dividends should improve significantly relative to its current position.

NWF is required to give effect to the fast-track consent within a two-year time frame, unless an extension to the resource consent is successfully obtained from the local councils, which itself requires substantial progress to have been made. Not progressing the repower and Aokautere Extension risks NWF's capital investment in the repower consent (and any extension consent should that be granted) being written off.

7. How will NWF fund its share of the repower equity in the future?

At Final Investment Decision, NWF will be required to undertake a more substantial capital raise to meet its funding requirements in line with a 50% equity participation in the project vehicle. Whilst no decision has been formalised as to how this will be achieved, the Investor's Agreement between NWF and Meridian contemplates a combination of equity mechanisms. NWF will receive proceeds from contributing certain existing assets to the project (such as the consents, roading, land, and a contribution of goodwill) at the agreed value of approximately \$47.4m plus reimbursement to NWF of approximately \$2.9m of capitalised resource consent costs (i.e. totalling \$50.3m) can fund a portion of NWF's required contribution. The remainder is expected be raised through either new shares in NWF or new equity investment directly into NWF's investment vehicle in the repower project (subject to NWF retaining greater than 50% control of its 50% share). The Board anticipates keen interest in the latter from renewable energy investors seeking to participate directly in New Zealand's de-carbonisation thematic.

The favourable long-term PPA of 15 years with a strong creditworthy counterparty will enable substantial debt to be raised against the project, thus reducing the equity ask. The expectation is that project debt could fund 65-75% of the total repower cost, currently estimated at in the order of \$500-600m.

The residual equity funding NWF is likely to need to raise to maintain a 50% equity interest in the developed wind farm is expected to be approximately \$40-75m. This assumes a gearing range of 65-75% and some allowances for development pipeline and working capital. This is in addition to the \$11.2-12.7m capital raise announced today.

If NWF is unable to fully fund its planned 50% share its interest in the joint venture will reduce.

8. What shareholder approvals are sought?

There are two matters that the directors of NWF will be seeking the support of NWF shareholders at a special shareholders meeting in December.

Under the NZX Listing Rules, the sale of a large portion of NWF's assets to the joint venture with Meridian, and NWF's corresponding investment in the joint venture, will constitute a "major transaction" which must be approved by ordinary resolution of shareholders.

Whilst some low-value development assets will be transferred immediately to the joint venture (wind rights on expansion land and new transmission land and easements), the sale of named remaining assets currently in use by the existing wind farm will only occur once NWF shareholder approval is obtained and various conditions have been satisfied including Final Investment Decision. However, the Board considers it appropriate, and NWF is contractually obliged, to now seek NWF shareholder approval to the sale of these core assets to, and investment in, the joint venture. If granted, this approval will enable the Board to make the Final Investment Decision – so that there is clear alignment and agreement on the new direction of the company. Subject to this support, Meridian has agreed to fund third party development expenditure for the repower up to an agreed amount through to Final Investment Decision. Meridian will not vote on this major transaction resolution.

The placement of shares with Meridian and the proposed rights issue do not require shareholder approval under the NZX Listing Rules but the Board would also like the flexibility to be able to raise further equity by making a further placement up to 15% of the shares on issue, e.g. to introduce institutional or renewable energy shareholders to the NWF share register at a future date. This will

further enable NWF to pursue other renewable energy opportunities. Accordingly, the Board is seeking to “refresh” its ability to undertake placements up to 15% by asking for NWF shareholder ratification of the 15% placement to Meridian. The NWF Board has no current plans to use the refreshed ability to place further shares but wishes to have the ability to take advantage of further opportunities. For the next 12 months, NWF will only make a placement with the consent of Meridian.

Accordingly, NWF will convene a special meeting of shareholders in mid-December to seek approval of the following matters, each by ordinary resolution of shareholders:

- NWF giving effect to the provisions in the Investors’ Agreement as described in section 12 by:
 - selling certain assets of the existing wind farm which are necessary for the repower project including consents, land, wind rights, roading and electrical grid connection infrastructure to the joint venture at financial close;
 - investing in the joint venture; and
 - otherwise implementing transactions contemplated by the Investors’ Agreement.
- Ratification of the placement of 43.2m shares with Meridian at an issue price of \$0.155 per share.

9. What are the risks?

In reaching its decision to enter into an agreement to pursue the repower through a joint venture with Meridian, the Board carefully considered the merits of pursuing the repower compared with retaining the existing wind farm. Both options carry risk.

What has become clear in this evaluation process in the Board’s view is that the status quo contains material risk:

- The existing WF500 turbines do not fully capitalise on the world-class wind resource of Te Rere Hau. This has been starkly illustrated with the emergence of the new Turitea North wind farm next door, with the Mercury Energy Turitea 3.6-3.8MW turbines frequently operating in lower wind conditions (below 6.5m/s) whilst Te Rere Hau turbines remain stationary.
- The existing wind farm cannot take advantage of the Aokautere Extension opportunity due to capacity limitations of NWF’s current T3 connection. The Aokautere Extension alone could provide 1.5x the current wind farm production.
- The existing transmission connection through the Tararua Wind Centre substation comes up for renewal in 2031.
- Whilst the WF500 turbines have been well maintained, it is expected that their availability performance will degrade over time. Currently, there are 91 turbines in operation (from 97 originally commissioned) and our analysis anticipates the number of operating turbines will likely start reducing in 2032 and the fleet will reach the end of its economic life by 2036-2046 (depending partly on market pricing). NWF is the only operator of WF500 turbines in New Zealand with only seven other WF500 turbines operational in the world (and the OEM has been liquidated) so their future performance and availability of parts etc is less certain than more modern turbines which are backed by substantial worldwide businesses.
- NWF is required to give effect to its Fast-Track consent within a two-year time frame, unless an extension is successfully obtained from the local councils, which itself requires substantial progress to have been made. Not progressing with this transaction therefore risks the capital investment by NWF being written off. Any future new consent application is likely to cause significant delays and add cost to the project.

As with any new renewable-energy project, there are development risks in bringing the wind farm to fruition and then operating it. However, the repower is a “brownfields” project rather than a “greenfields” project.

Specifically:

- NWF has approximately 20 years of wind data on its existing site. Using a newly-erected 60m meteorological mast and LIDAR to collect wind data over the last 18 months, NWF has been able to build up a modelled history of the wind speeds at the proposed new hub height at a P90 confidence factor.
- There is an established roading network that was recently upgraded to enable Mercury Energy’s Turitea wind farm blades to be transported through the site. In addition, the new Aokautere Extension land has engineered forestry roads already laid out.
- Ground conditions for the site are well known from previous geotechnical studies and construction undertaken.
- The proposed new transmission connection to the Transpower grid is relatively short (4km) and over rolling farmland.
- Meridian has agreed to provide a 15-year market-based PPA if the repower project proceeds, subject to certain minimum and maximum inflation-indexed prices (see below) which substantially de-risks the project from a financial perspective.
- Long-term 15-year non-recourse project finance is expected to be available for funding the project, which reduces refinancing risk.
- Both NWF (on site) and Meridian (the largest wind farm operator in New Zealand) have extensive wind farm operating experience in New Zealand.

This said, the repower is still subject to Meridian and NWF agreeing to proceed with the project – i.e., Final Investment Decision. Final Investment Decision, if achieved, is expected in or around April 2025. In the meantime, the existing wind farm will be operated normally, and Meridian has agreed to fund the external upfront development costs of the project up to an agreed amount that is considered sufficient to achieve a Final Investment Decision.

10. What Consenting and Tangata Whenua Support has been received?

NWF has received resource consent to undertake the core repower under the Fast Track Consent pathway. This consent requires NWF to give effect to the consent within a two-year time frame, unless an extension is successfully obtained from the local councils. Consent was obtained in May 2023.

On 20 October 2023 NWF also lodged a formal application for Fast Track Consent for the Aokautere Extension project on the adjacent Ernslaw One land. If granted, the intention would be to proceed with the Aokautere Extension as part of the overall TRH repower project.

NWF is also working with Transpower on the final transmission line design.

NWF has worked closely with tangata whenua, Rangitāne o Manawatū, Rangitāne o Tāmaki Nui a Rua and Ngāti Kahungunu ki Tāmaki nui-ā-Rua on both the repower and the Aokautere Extension projects. NWF is delighted to have the formal support of Rangitāne o Manawatū and Ngāti Kahungunu ki Tāmaki nui-ā-Rua, and a good working relationship with Rangitāne o Tāmaki Nui a Rua. The intention of NWF and Meridian is to partner with tangata whenua in bringing the repower and Aokautere Extension to fruition.

11. What is required for Final Investment Decision?

Following entry into this partnership, NWF and Meridian will work together to progress the various aspects of the repower towards a Final Investment Decision under the Investors Agreement. Final Investment Decision is a decision point at which the parties have progressed the commercial, legal and

financial aspects of the project to the point at which they can formally agree that they should go ahead with the repower and sign various documents to bring the project to fruition.

A set of Final Investment Decision parameters has been agreed under the Investors Agreement and include:

- Each party has obtained equity funding commitments.
- An acceptable financial return to both NWF and Meridian has been demonstrated under the project financial model.
- Final form project and finance documents have been agreed for the development and financing of the project.
- All material consents and authorisations have been obtained.
- Meridian providing a PPA in the form (and comprising the commercial elements), as per the Investors Agreement.

12. What is the key documentation?

NWF has entered into the following agreements with Meridian:

1. **Investors Agreement (IA):** The IA is the primary document setting out the joint venture terms between NWF and Meridian. This agreement is intended to govern the relationship of the parties and provide a framework for the further development of the project as it moves toward financial close.

In particular, the IA sets out the following:

- Conditions relating to shareholder approval, Final Investment Decision parameters being met and a period of exclusivity for the development of the project with Meridian.
- A proposed business plan governing the development stage of the project.
- The process for the contribution of equity by the parties and the valuation of assets, with a staged asset transfer whereby NWF will immediately transfer to the Meridian joint venture vehicle its development assets (being principally the new transmission land and easement and Transpower consent application, and certain new wind rights agreements not currently being used for the existing wind farm) but will retain ownership of all assets used in the current Te Rere Hau wind farm until financial close.
- Provision for the management of the joint venture, including the establishment of a Project Control Group to oversee the management of the project and equal representation on the Board (providing NWF meets its 50% equity contribution).
- Details relating to development costs, including agreement for Meridian to fund third-party development costs of the project up to an agreed amount through to Final Investment Decision, and the delegation of certain services to Meridian and NWF respectively with Meridian appointed as operator for the construction and operations phase of the project.
- Standard restrictions on the transfer of shares in the joint venture, and protections relating to changes in control of the parties without the other party's consent.

The IA also anticipates the entry into the following documents between the relevant parties prior to financial close:

2. **Power Purchase Agreement (PPA):** The PPA sets out terms whereby Meridian will commit to purchase all electricity generated from the repowered Te Rere Hau wind farm and Aokautere Extension for a period of 15 years, within agreed minimum and maximum price parameters as follows:

- For the initial 10-year period following commencement, the average ASX Otahuhu node price, adjusted for location and intermittency factors, subject to an inflation-indexed floor (minimum) and ceiling (maximum) price with no adjustment for location and intermittency factors.
- For the remaining 5-year period until the expiry date, it is the average ASX Otahuhu node price, adjusted for location and intermittency factors, subject to an inflation-indexed floor price (with no requirement adjustment for location and intermittency factors), but with no maximum.

The PPA will commence once 80% of the design generation capacity is completed in line with the construction programme. Electricity generated up to this point (as turbines are commissioned) will be priced at the initial period price band but will not be counted as part of the 15-year term.

The PPA also sets out:

- Provisions relating to green products including renewable energy certificates (RECs), with Meridian having first option to purchase any such products from the joint venture at market value.
 - Details relating to metering, operations and maintenance.
 - A mechanism for price sharing between the parties where there is a material change in costs as a result of regulatory or legal changes.
 - Standard restrictions in relation to modifications and expansions, assignment and changes in control without the other party's consent.
3. **Subscription Agreement:** The Subscription Agreement contains additional details relating to the process for the contribution of equity by the parties from financial close and the issue of shares and partnership units in the joint venture entities.
 4. **Development Services Agreements:** Both NWF and Meridian will provide development services to the project, in accordance with the scope set out in the respective services agreements. The Development Services Agreements will also set out:
 - Provision for the service provider to be appointed as agent and assume responsibility for the delivery of the services, subject to certain limitations on its delegated authority.
 - Key service obligations and compliance requirements to be assumed by the service provider.
 - The fees payable in accordance with the specified services and any additional services that may be required, by agreement of the parties.
 - Reporting requirements, with such reports to cover compliance with service obligations and performance against cost estimates by reference to the agreed development budget.
 5. **Asset Transfer Agreements:** The Asset Transfer Agreements outline the assets (and the agreed market values for such assets) that will be transferred to the project by NWF and form part of NWF's equity contribution for the project. NWF will transfer the assets to the joint venture in two stages:
 - The initial transfer will relate to those assets that are exclusively related to the repowering project (i.e., they do not prevent the ongoing operation of the existing wind farm).
 - The balance of the assets that the parties agree are required for the repowering project will be transferred at financial close.
 - NWF will retain ownership of certain assets, including its existing towers, turbines, meteorological mast and some electrical equipment for potential alternative reuse.

13. Advisers

NWF has undertaken a comprehensive process to select a partner for the repower over a 12-month period incorporating an initial Expressions of Interest process including local and international parties, a shortlisting of parties and then selection of Meridian as exclusive preferred party. This process has been undertaken by NWF with the benefit of advice from a number of parties including Mafic Partners as financial adviser and structurer, Wynn Williams as corporate legal adviser, Anderson Lloyd as transaction legal adviser, Ernst Young as tax adviser, PWC as equity adviser and Goldsbury Consulting (Shaun Goldsbury).

14. Summary

Following the Board's decision in late 2021 to pursue consents for repowering Te Rere Hau wind farm we are delighted today to unveil our plans to monetise the value of these consents by sharing the risks and rewards of building New Zealand's second largest wind farm.

We have secured as our project development, ownership and electricity offtake partner New Zealand's largest renewable electricity generator, Meridian Energy, on a 50:50 basis. As part of the agreed commercial terms Meridian will fund upfront third-party project development costs up to agreed amount through to a Final Investment Decision and, if the repower proceeds, enter into a 15-year Power Purchase Agreement.

Finally, the share placement to Meridian and the subsequent partially underwritten renounceable rights issue for all shareholders provides financial capacity for NWF to fund its obligations up to the repower project Final Investment Decision.

Directors believe that the realisation of this repowering project will provide an anchor for future growth into other renewable energy development opportunities. We look forward to your approval and support.

For further information, contact Warren Koia, Chief Executive, by phone on 06 280 2773, or by email at info@nzwindfarms.co.nz.

Thank you

Craig H. Stobo
Chair

About NZ Windfarms Limited

NZ Windfarms Ltd is a long-term specialist wind farm owner and operator, with its revenue coming from the sale of sustainably generated electricity from its Te Rere Hau wind farm.

Te Rere Hau wind farm is located on North Range Road in the Tararua Ranges outside of Palmerston North. The wind farm has 91 turbines with a capacity of 45.5 MW producing enough clean energy to power about 16,000 homes, or in excess of half the households in Palmerston North. In comparison to generate the same amount of energy, a gas-fired power plant would emit roughly 64,000 tonnes of carbon dioxide, the same as an additional 23,000 cars on the road.

NZ Windfarms Ltd (NWF) is a public company listed on the NZ Stock Exchange. Up to date share trading information can be obtained from the NZX website.