



27 October 2006

Letter from Directors to Shareholders

Dear Shareholders,

Your Directors are pleased to put before you a proposal which we believe will, if approved, be a significant milestone in Wellington's development, laying the foundations for accelerated growth in Wellington's sales and earnings.

As announced to the NZX on 5th October, 2006, Wellington has entered into a Subscription Agreement with Source Vortex, LLC (United States). The key terms of the Subscription Agreement are as follows:

- Source Vortex will subscribe for 100 million ordinary shares (representing a 33.4% stake in Wellington) at \$0.40 per share, raising approximately \$38 million after costs and fees;
- 35 million warrants will be issued to Source Vortex. Each warrant entitles Source Vortex to acquire one ordinary share in the Company at an exercise price of \$0.60 per share provided the weighted average of the Company's share price reaches, and remains at or above, \$1.20 for a continuous 20 day trading period during the two years after issue of the warrants. If the warrants become exercisable in accordance with the preceding, they may only be exercised during the succeeding period of 12 months; and
- Two nominees of Source Vortex will be appointed to Wellington's board be appointed to Wellington's board, with the intention that one of the Source Vortex nominees will become Chairman within the next six months.

Source Vortex principals have substantial experience with sales, marketing and technical development, within both small and substantial businesses. They have a high profile within the growing section of the investment community in the United States that is focusing on environmentally sustainable developments. They also bring a good contact network in our marketplace in North America, including existing and prospective customers; in regulatory and political bodies; and in the wider investment community. Your Directors believe that the active involvement of Source Vortex with Wellington will significantly enhance Wellington's development, and profile, in the important North American markets. Source Vortex is based in Boulder, Colorado, USA.

Source Vortex will be nominating Mr. Michael Jude Lopitz and Mr. Aubrey Hornsby for appointment to Wellington's board. Mr. Lopitz is a principal of Source Vortex. He has owned and managed successful businesses in energy resources, real estate, scientific R&D and the wellness industries. Mr. Hornsby is also a principal of Source Vortex and has a background in merchant banking and the media industries. Further information about Source Vortex and its principals is provided in Attachment 1.

The Subscription Agreement is conditional on certain approvals by Wellington's shareholders. These are outlined in the attached Notice of Meeting.

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Background

Wellington has made substantial progress in establishing itself as a supplier of energy efficient, cost effective electric motors, motorized fans, electric motor designs, electronics and software. Operating revenues have more than tripled in the 12 months to 30 June 2006, to \$6.9m from \$1.8m in the previous comparable period.

This revenue growth is strong evidence that the company is successfully passing the “proving” stage of its development and is becoming accepted as a supplier by a good, and growing, number of customers:

- Wellington products and designs provide performances that the market wants. Electricity savings and energy efficiency are becoming increasingly important and these trends are expected to continue and intensify. Wellington products provide the demanded electricity savings at price points acceptable now for adoption into premium products;
- Wellington motors have proved to be reliable in the field (well over 100,000 units are now operating in service with consumers, some thousands having performed satisfactorily in service for over four years) in a wide variety of applications, including central ventilation, heat recovery ventilation, air conditioning and refrigeration;
- Our customers report to us that our service levels exceed those to which they are accustomed to from established motor suppliers; and
- The Total Integration development programmes we have with major appliance suppliers (in a wide variety of applications, including refrigeration compressors, central heating, dishwashers and ceiling fans) have progressed well, with customers reporting good levels of satisfaction.

Overall, we anticipate sales levels will continue to grow, production costs will continue to fall such that we will achieve satisfactory margins at current selling prices, while current and future Total Integration programmes will result in good levels of returns over the medium term.

However, Wellington is yet to completely leave behind the “proving” stage of development in the eyes of a significant proportion of our existing and potential customer base. This is due to Wellington’s distant location, its small size compared to the established motor companies it currently competes with, and Wellington’s perceived lack of balance sheet strength, exacerbated by the inherent conservatism of our customer base. These factors have held Wellington back from achieving higher sales growth. Directors strongly believe that the proposal being put before shareholders will remove the last impediments to Wellington being “proven” in the eyes of its overall target marketplace.

Significant additional capital will provide certainty of our tenure to our marketplace. The introduction of Source Vortex as a shareholder and Michael Jude Lopitz and Aubrey Hornsby as Directors will provide valuable and local input and effort into our sales and marketing operations in the important North American market, particularly through their extensive network of contacts.



Interest in new technologies that promote efficient use of resources (“sustainability technology”) – like Wellington’s - is at high levels in the United States, and is believed to be growing rapidly in government circles in China. Source Vortex’s principals have a good profile within the sustainability investment community in the United States, and their involvement with Wellington is expected to be valuable as we seek to communicate Wellington’s sustainability benefits to the wider community. This should assist near-term sales growth, particularly in North America, and may help broaden the Company’s potential investor base.

In addition, the development of our business will be accelerated and enhanced by additional investment in certain areas, particularly in additional sales and support infrastructure in our off-shore markets and in plant and other initiatives aimed at reducing production costs.

There are three main thrusts for potential additional investment, all with the objective of accelerating sales and earnings growth:

1. Appointment of additional sales staff and application engineers in overseas markets, and other initiatives to drive sales growth;
2. Product cost reduction through investment in manufacturing methods and improved logistics; and
3. Enhancements to Wellington’s range of products and services, by modest investments in facilities to reduce development timescales, some investments in new products and widening the market coverage of existing products, and continuing and expanding the company’s core technology development activities to maintain competitiveness.

Some additional staff will also be added to strengthen the company’s central functions, largely to free up staff already in post that can generate income most quickly.

Acceleration of Wellington’s sales and product cost reduction is expected to result in higher initial costs, particularly in the areas of sales and sales support and depreciation on increased investment. However, these additional costs are expected to be overtaken relatively quickly via accelerated sales growth and reduction in production costs as the various initiatives take hold.

Sales should accelerate even more rapidly than that expected solely as a result of increased activity. Wellington’s enhanced financial strength is expected to un-lock a significant number of orders from both existing and prospective customers who are already satisfied with the company’s product and service offering, but wish to buy from a more visibly secure supplier.

From a defensive perspective, accelerating Wellington activities will help secure the company’s future by heading off competitive threats, further advancing Wellington’s longer term product/design pipeline, and making it more likely that potential competitors will prefer to licence Wellington technology, rather than compete directly.



The following sections outline the various areas of potential investment in more detail. These areas are summarized from Wellington's internal Preliminary Acceleration Plan. This preliminary plan will form the basis for more formal planning and budgeting, and it is worth noting that each area of investment will, on a case by case basis and prior to being made, evidence a high level of expected return. It is also worth noting that a significant proportion of the new equity funds are anticipated to be held in reserve; this is in line with our objective of significantly strengthening Wellington in the perception of its customer base and competitors.

Salespeople/Application Engineers

Wellington's first priority is to accelerate the addition of staff based in-market to maintain steady contact with, and provide support to, targeted customers to build general sales and identify opportunities for sales of Total Integration services.

These people have moderate technical knowledge, sufficient to advise customers on use and selection of Wellington products, together with the ability to thoroughly understand the customer's own requirements. All will have sales or sales support experience, although commercial decisions and contract terms are dealt with by senior personnel based at regional sales hubs. Total Integration opportunities, once identified, are usually expanded by senior personnel based regionally, in association with specialists (as applicable) based at the New Zealand headquarters and engineering centre.

The title "Application Engineer" is used to emphasize the service nature of the role, while dropping customer resistance to having another "salesman" call. In Wellington's target markets, direct selling without the ability to offer credible advice is currently the norm, and is considered worthless "order taking" by customers. Provision of Application Engineering services has been amongst the most successful Wellington initiatives to date; hence the intention to extend it.

Product Cost Reduction

Cost reduction plans are now being progressed and will be accelerated, with a view to reducing Wellington's cost curve ahead of changes in market pricing that may occur as volumes rise. Significant improvements in product variable costs were achieved in the 2006 financial year, and a great deal more improvement is available.

Immediate gains are believed to be achievable by:

1. Improved logistics
2. Design changes to reduce material content and parts count
3. Review of materials choices
4. Review of suppliers and commercial conditions with suppliers
5. Consolidation of the supplier base
6. Co-investment (i.e. purchase of capital plant) with key suppliers
7. Increased throughput



8. Review of process flow
9. Investments including multi-cavity tooling
10. Improvements in the automation of some process steps

Range and Service Extensions

Sales of Wellington's DF102 motor into the clean room fan filter unit (FFU) market began following the 2005 financial year end. The FFU market is amongst the most valuable present-day market segments for high efficiency motors. Wellington can offer substantial advantages to customers, particularly as regards overall size and reliability levels in service well above those offered by any competitor. Investment in an improved DF102 motor is therefore being considered.

The service aspect of Wellington's business ("Total Integration"), already a differentiating factor for the company, can be enhanced by some targeted investment. Unit costs are inescapably important to achieving volume sales in these markets, and this is Wellington's major offering. Timescales for the introduction of new products are also vitally important and time pressures are expected to intensify as trends towards mass customization and shorter product runs continue.

Wellington's processes are better suited to a mass customization environment than any other known motor process. These advantages are not yet exploited to the full extent possible or desirable and investments, principally at the New Zealand development facility, are being considered that will reduce development timescales substantially compared to present levels.

Distribution

The company is steadily expanding its distribution presence, through recruitment of additional staff based in international markets, and via the appointment of representatives. Wellington is currently in discussion with several parties regarding distribution and the plan is to gain access to existing distribution, which may require investment to expand an existing chain.

Some of the arrangements in discussion could lead to access to distribution at no cash cost, in exchange for limited technology rights. The range of possible outcomes is wide. However, expanded distribution capability is a major plank of Wellington's plans going forward, and a portion of the incoming investment is being allocated to this activity.

Working Capital

Increased sales levels resulting from the above initiatives, and others, will likely require additional working capital investment. The level of working capital relative to sales is considered to be high currently. It is expected that additional stock redundancy will be permitted in the medium term as an aid to driving short lead-time sales; availability of stocks



near customers, free of international border crossings has proved an obstacle in growing sales to date. Stock levels will reduce as sales levels become more regular and predictable and, over time, levels of working capital relative to sales will occur. However, conservatism is merited until events prove this to be the case in reality, which means that it is prudent to budget for increased levels of working capital over the short and medium term. Part of the proposed investment will be used to support the company's working capital requirements.

Foreign Exchange Listing

Directors and Source Vortex have agreed that it is their intention to investigate the possibility of listing the Company as a foreign issuer on NASDAQ, and/or another securities exchange over the next few years. Such a listing would be expected to broaden Wellington's shareholder base and the demand for Wellington shares through accessing a much larger market.

Recommendation

Your Directors believe that significantly accelerating Wellington's development is possible only through a proposal, such as this, that delivers both a significant amount of capital and experienced input in terms of senior involvement, particularly with sales and marketing experience in important international markets. We believe this proposal will deliver returns to shareholders that will more than outweigh the dilutionary effects of the additional shares on issue.

In accordance with the requirements of the Takeovers Code, Directors have commissioned an Independent Appraisal Report from Grant Samuel, which is included. This outlines Grant Samuel's view on the "merits of the proposal". Enclosed also please find the Notice of AGM and explanatory notes and Proxy Form

The Directors of Wellington unanimously recommend shareholders vote in favour of the proposal, as outlined in the various Resolutions in the enclosed Notice of Meeting. Directors and interests associated with Directors all intend to vote in favour of the Proposal, accounting for 19.8% of Wellington's outstanding share capital.

For and on Behalf of the Board,

Shawn Beck
Chairman



Attachment 1 – Source Vortex and its Director Nominees

Based in Boulder Colorado, Source Vortex is a special purpose entity created by Conscious Capital Fund (www.consciouscapitalfund.com) for the purpose of this investment.

Conscious Capital Fund has worked to create a network of companies and individuals committed to investing for both financial and societal returns. This network has been designed to assist portfolio companies with a strategic package of services that can enable the companies to grow more rapidly and create value, both socially and financially.

Michael Jude Lopitz, Aubrey Hornsby (both Source Vortex principals), and Peter Lopitz, have substantial experience and expertise in areas that we believe will be valuable in helping Wellington achieve its objectives. These include:

- Extensive sales, marketing and technical development experience within both small and substantial businesses;
- Financing, ownership and management of a large number of small to mid sized companies in a wide range of industries, including manufacturing, energy resources, scientific R&D, natural products, environmental services, medical and real estate;
- A high profile within the growing section of the investment community in the United States that is focusing on environmentally sustainable developments; and
- A good contact network in Wellington's marketplace in North America, including with existing and prospective customers and regulatory and political bodies.

The funding for this transaction will be provided through investment into Source Vortex from a combination of Source Vortex principals and a wider investor base.

Michael Jude Lopitz is the owner and manager of Organic Options, Inc, a \$US60 million international distributor of wellness products, which he founded in 1994. Organic Options has a sales network of over 30,000 reps, with a significant presence in Australasia. His marketing, regulatory, and logistics expertise has facilitated the rapid development of this operation. In addition he has managed successful businesses in energy resources (sales manager, Planet Energy Oil & Gas, 1978-1981), scientific R&D (program manager, Northrop Corporation 1981-1984) and real estate (portfolio manager, Private Real Estate Holdings, 1986-1994). He has a background as a successful entrepreneur with skills for a broad range of planning, finance, marketing, and executive functions. He has the communication and management skills to leverage that understanding into effective action, is an accomplished international speaker and trainer, and has several published works. He has lectured in economics at the university level, has working experience in government and has held political office. Michael Jude, while based in Boulder, Colorado, lives part of the year in his residences in Australia and New Zealand, in addition to which he has significant real estate portfolios in both countries. Michael Jude is a co-founder and Director of Conscious Capital Fund, a Socially Responsible Investment Fund, with a core focus on the sustainable energy sector.



Aubrey Hornsby is a co-founder and Director of Conscious Capital Fund. For the past 20 years, until recently, he owned and operated a boutique merchant banking and financial advisory service called Integral Transactions Inc (ITI). ITI specialized in merger, acquisition, financing and transformation of mid -level and smaller corporations. ITI had a particular focus on the wellness and environmental services sectors. Prior to founding ITI, Aubrey worked in banking, and in the media industry with the Elektra Music Publishing division of Warner Communications. As well as having particularly strong negotiation skills, Aubrey has had a lifelong commitment to business as a vehicle for human development and social responsibility as well as the creation of wealth. He is a member of the Clean Tech Venture Forum and through that society has developed an extensive network of contacts in the sustainable energy and environmentally conscious area.