

21 February 2022

Ruapehu Alpine Lifts (RAL) Shareholder & Stakeholder Update

Tēnā koe,

On the 10th and 11th of February the RAL Board met to review company strategy for 2022 and beyond. The key issues that were highlighted included the importance of growing the summer sightseeing market on the Sky Waka and the benefits of reducing crowds in the peak winter periods to improve the guest experience.

One of the other major decisions from the strategy review was to place the current Tūroa development plan (approx. \$40m of lift and infrastructure investment, detailed at: <https://www.mtruapehu.com/ral/plans>) on hold, and we will now seek advice on alternative approaches, including the potential to extend the life of the existing lifts.

The principal reasons for this significant change are:

- A material fall in RAL's profitability due to the Covid-19 Pandemic which has increased debt, including funding from MBIE to make safe and extend the life of our key Tūroa lifts
- A further write-down in the value of the Tūroa lifts due to a weaker earnings outlook
- An unsuccessful promotion of the sale of a portion of RAL to raise capital
- Recent material increases in the cost of replacement imported lifts and parts

While the company's accounts for the year ended 30 November 2021 are still being audited, in line with the 26 November 2021 company update the loss will be approximately \$7.3 million (which includes a further impairment of assets as a result of a lower future earnings outlook.)

While we remain committed to finding the best solution to a long-term sustainable future for Tūroa, our most immediate concern, given the company's poor financial position, is the safety and the useful life of the Tūroa lifts.

To that end, we have commissioned an external review of the remaining life of two key assets in the Parklane and Movenpick lifts. This report will enable an informed judgement on current safety, the costs to maintain appropriately and the potential to extend the life of the lifts versus replacement.

The report will serve three purposes:

- Provide further detail into lift safety and integrity of the existing infrastructure (with a focus on the ski-fields ageing base access lifts – the Movenpick and Park Lane being 33 & 43 years old, respectively)
- Guidance on the cost of extending the life of the current Tūroa lifts versus any alternative considerations
- An updated disclosure should the RAL Board decide that the most viable option for the long-term future is to formally place the Tūroa Ski Area for sale on the open market for any qualified parties (e.g. with appropriate financial resources) wishing to undertake due diligence

Clearly this is an important issue for all of us with ties to Tūroa. While the company has committed bank funding for the coming season, we wanted to update shareholders and stakeholders to present the options for 2023 and beyond. Importantly, no decisions have been made with respect to Turoa's future and will instead be informed by our partners Doppelmayr NZ providing external review.



Accordingly, we are working towards a presentation on Tūroa (and the wider company) at the Annual Shareholder Meeting (ASM) at Tūroa in the Alpine Café on Saturday, 28 May 2022 at 10.30am.

Takeovers Panel Exemption

Some shareholders have queried the recent Takeovers Panel exemption (conditional on shareholder approval) that RAL received in January 2022.

A more detailed explanation will appear in the Notice of Meeting for the ASM, but a short version to ease any initial concerns is as follows.

In 2019 we reviewed the Company share register and discovered up to 20% of shareholders had no ability to be located or contacted. Accordingly, the Company issued notices as required by law, requesting all shareholders to contact and update their details with the Company, or their shares would be forfeited and cancelled. As a result of this forfeiture and cancellation, the remaining shareholders increased their proportionate ownership of the Company. In the case of our largest shareholder (the RAL Trust), their ownership increased from 45.50% to 55.16%. This increase in control required prior shareholder approval under the Takeovers Code which was not obtained.

RAL has received a retrospective exemption from the Takeovers Panel for this breach. The exemption provides a path for RAL to cure this breach by (i) obtaining shareholder approval at the ASM, and (ii) the RAL Trust has provided an undertaking to reduce their shareholding back to 45.50%. Legal advice as to the exact mechanism to undertake this reduction is currently being obtained.

Myself, the board and management apologise for any misunderstanding this may have caused.

Board Vacancies

The RAL Board is looking to broaden its skillsets and will begin with an external recruitment process for new board members with specific skills in the engineering, infrastructure and legal areas. Candidates will need to demonstrate an understanding of, or have experience within the ski industry, connection to the local area and tikanga Māori values. We will promote these roles to shareholders, life pass owners, and others in the coming months.

Nga mihi nui,

Geoff Taylor
Chair
Ruapehu Alpine Lifts Limited