

Wools of New Zealand Shareholder Communication No. 18
23 November 2013

From the Chief Executive

It was evident from the drive from Invercargill to Gore for our first AGM on Wednesday that we are experiencing one of the best winter/spring grass growth periods in recent memory. It's great for growers who have been tested by a number of recent weather events – and by all accounts we are heading for a positive 2013/14 year!

Annual General Meeting

The Chairman, Mark Shadbolt, in his address reported a better than forecast financial result with a loss of \$351,022 versus a prospective loss of \$1.1M for the year to 30 June 2013; a satisfactory result given the costs associated with the capital raising. Mark also highlighted the following themes and achievements:

- Price volatility is a critical concern for our customers and there is a need for price stability both from the perspective of growers and customers. The company has established three six month stable price contracts direct with customers
- The value of building sustainable long term relationships with our customers. The relationship with Camira started from small beginnings with volumes supplied growing year on year
- The importance of a market-pull strategy and leveraging our unique points of difference such as our Laneve brand to deliver genuine value to our customers

The need for people on the ground in key international markets of China, UK and USA to capitalise on the inter-connectedness of the global textile industry.

In closing, the Chairman thanked shareholders for their support and reiterated the need for patience. There are no quick fixes. That said, the company is focused on delivering tangible benefits to shareholders and has achieved some early runs on the board such as the Direct to Scour sales options and the Camira Lamb's Wool contract (see below).

On the governance front, there were no new director nominations so I can confirm that Mark Shadbolt and Phil Guscott, who were both up for re-election, have been re-appointed. Jamie Tuuta and Keith Sutton were also ratified as independent directors.

Camira Fabrics

As previously signalled, Wools of New Zealand has secured a contract to supply lamb's wool to Camira Fabrics in 2014, the fourth year in succession with volume increasing year on year. We will send shareholders and our 'supporters' full contract details next week for their consideration and will be seeking confirmation of supply by mid-December.

The main supply elements of the contract are:

- Quality lamb's wool is required to meet the specifications which include full traceability, WNZ Integrity Program accredited suppliers, Vegetable Matter 0.0%, pesticide-free to comply with the stringent EU Eco-label requirements
- Growers who meet these specs can contract at \$6.10 kg clean. Wools that don't meet the stringent VM requirement may be accepted but will be discounted accordingly
- Payment terms will be 20% in 60 days, 60% on 30.11.2014 and 20% on 28.02.2015

Growers who are not members of the WNZ Integrity Program and wish to supply into this contract should contact Wools of New Zealand to arrange accreditation. Phone 0800 687 9665 or email info.nz@woolsnz.com.

Ross Townshend

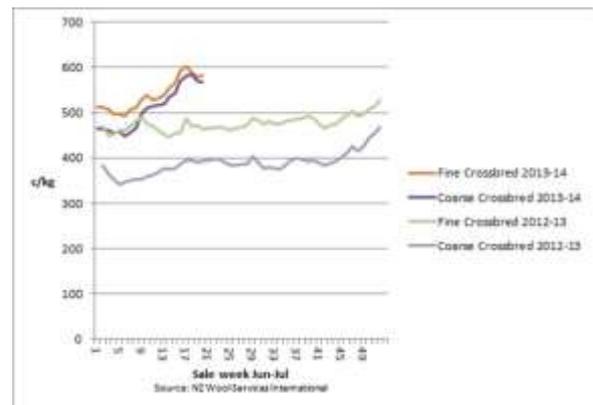
Market Report

New Zealand Wool Services International reported the following from this week's wool sale:

Firm exchange rates, limited volumes and steady buying interest has combined to hold most types at this week's South Island wool auction firm to slightly dearer.

Of the 5,500 bales on offer 94% sold. Coarse Crossbred Full Fleece were firm to 1% easier while Coarse Shears 3 to 5 and 3 to 4 remained firm with 2 to 4 inch slightly easier. Shorter types lifted 1% and Oddments remained firm. Next sale on 28 November comprises approximately 7,200 bales from the North Island.

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Contact Us

As always, please feel free to contact us if you wish to discuss anything.

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