

Wools of New Zealand Shareholder Communication No. 20  
6 December 2013

### From the Chief Executive:

You will have received a mailing from Wools of New Zealand which included details about two sales options currently on offer to our shareholders and 'supporters':

### Camira Lamb's Wool Contract

We are now calling for supply into this contract. Please contact us on 0800 OURWOOL (0800 687 9665) or email [info.nz@woolsnz.com](mailto:info.nz@woolsnz.com) for a contract document. We are seeking confirmation of supply by Wednesday 18 December so please act promptly.

We are also seeking an additional two containers (40 tonnes) of early season lamb's wool for Camira who are at risk of running short of wool due to the success of their Blazer fabric. So if you have already shorn your lambs, or are about to, please contact us at your earliest opportunity. The terms for this extra early volume are the same as the main contract (\$6.10/kg clean).

One of the requirements of the Camira contract is that the wool be pesticide-free as Blazer is marketed under the EU Eco-Label. A Pesticide Declaration is available on-line; within this document we have included a web link to a list of all the available sheep treatments in New Zealand with details of the class of chemical and active ingredient which will help steer you toward products that can safely be used to be compliant with the contract. We do recommend you seek advice from your vet or vet supply company.

If you have any queries please phone or email us. Visit [www.ourwool.co.nz/sales-options/lambs-wool-contract/](http://www.ourwool.co.nz/sales-options/lambs-wool-contract/) for further information.

We have had some feedback about the deferred payment terms that we have offered with this contract. This contract is exactly the sort of opportunity that many of you envisaged when you signed up to Wools of New Zealand, linking you as top-end growers directly with top-end customers, getting the strongest market signals and the highest returns and avoiding leakage of margin to third parties. In order to do this, we need to 'trade finance' the contract, matching up wool harvest, mostly in the January 2014 to April 2014 (4 months), with supply to Camira over the period April 2014 to March 2015 (12 months but effectively 16 months end-to-end). Growers can be 100% certain that they will be paid because:

- We only deal with suppliers of principle like Camira; alternatively we would seek Irrevocable Letters of Credit
- We take out the maximum available credit insurance
- We will fully cover the foreign exchange exposure
- We will maintain ownership of the wool until payment is received.

No other New Zealand wool supplier is able or willing to supply this premium quality product to Camira at a price and quality defined "up front" for 16 months. We are securing your future with this contract (and others like it still in the wings). The 2014 lamb's wool opening market price was \$5.35 when we announced our Camira contract at \$6.10/kg. Some other offers are now in the

market but we are certain there is still ~25 c/kg “headroom” between those prices and our contract when you add in the Direct-to-Scour savings.

It is also disappointing to see some predatory action by industry players who sought to impugn the value of our Laneve® brand and undermine the credibility of Wools of New Zealand – with recorded offers for New Zealand wool often over a range of more than 75c/kg between the top prices on offer and the bottom. No prizes for guessing where the sale price settles! Bleeding value away like this simply has to stop; that is why you signed up with Wools of New Zealand and what we intend to deliver.

Developing the market-pull strategy by increasing branded contracts and relationships with the supply chain was one of the five objectives we outlined in the Prospectus. But that does require a trade financing capability in which we ask you to play some part, hence the terms that we offer.

## Direct to Scour

Wool volumes through the Direct to Scour channel are steadily increasing as growers take advantage of savings in the order of 13 c/kg over wool that goes through the traditional model.

We are very keen to hear your experiences so we can refine and improve the process. As a result of your feedback to date we will be modifying the Wool Specification Sheet to make it more user-friendly. This will be uploaded to the website shortly. For more information visit: [www.ourwool.co.nz/sales-options/direct-to-scour-contract/](http://www.ourwool.co.nz/sales-options/direct-to-scour-contract/)

## Market Report

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

A stronger New Zealand dollar and continuing sluggish demand saw the market generally ease further apart from some targeted types.

Of the 11,100 bales on offer at the North and South Island sales, 89% sold. There were some considerable price variations for comparable types between the two selling centres with the poorer style North Island wools coming down the most.

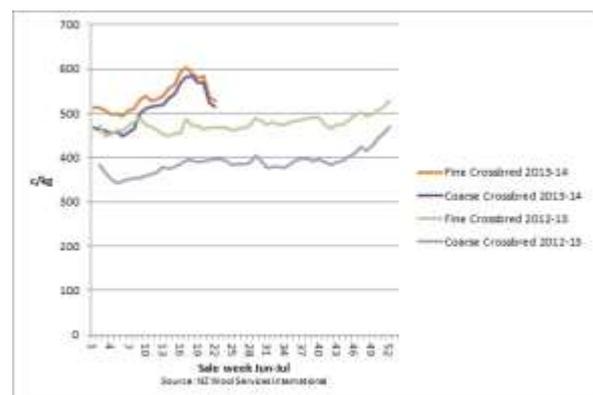
Compared to the 28 November sale, Fine Crossbred full fleece and shears 3 to 4 inches and longer were firm to 2% cheaper and shorter types ranged from 1-4% easier with the poorer styles affected the most.

Good and average style Coarse Fleece were firm to 4.5% cheaper while poor styles in the North were 6-7% weaker.

Coarse Crossbred Early Shorn and Second Shears was firm to 4% easier with the North Island types down the most.

A nominal offering of early season Short Lambs Fleece was firm to 2% up while Long Oddments were firm in the South and up to 9% down in the North. Short Oddments were 2-6% cheaper. The next sale on 12 December comprises approximately 5,100 bales from the North Island - 40% percent below the revised anticipated rostered quantity.

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## Contact Us

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

Telephone: 0800 OURWOOL  
0800 687 9665

Email: [ask@ourwool.co.nz](mailto:ask@ourwool.co.nz)