

Wools of New Zealand Shareholder Communication No. 21
18 December 2013

From the Chief Executive:

The Directors and Management of Wools of New Zealand wish you a Merry Christmas and a prosperous 2014. We hope that you get time for a break and a celebration with your friends and families.

We will also be taking a break; the Christchurch office will be closed from Friday 20 December and re-opening Monday 6 January. We will be attending to emails from time to time during that closure period.

Following our capitalisation in February, 2013 has been a big year for Wools of New Zealand and we have made some good progress in our goals to improve your wool returns.

Million Kilogram Milestone

Over the last few weeks, Wools of New Zealand have secured contracted sales of specialty wools, totalling more than one million kilograms, at a significant margin over commodity market prices. All of this wool - Lamb's wool for Camira, Banks Peninsula wool for Danspin (which Wools of New Zealand oversees on behalf of Banks Peninsula Wool Growers) and Grentex (see below) is Laneve® wool.

As well as premium pricing, demonstrating the real and growing value of our Laneve® brand, these contracts are all long term and build on previous supply by Wools of New Zealand.

Camira runs out as far as March 2015, Danspin until December 2014 and Grentex until June 2014, with extension provisions to all three contracts. As well as linking growers directly with our customers, they provide price stability both for you as growers and for our customers.

Grentex USA Laneve Contract

Grentex are a family-owned, Mumbai based wool spinner and a Wools of New Zealand partner. Grentex yarns are supplied to Southern Yarn Dyers (SYD) in Atlanta, also a family owned well renowned dyer of carpet yarns and a Wools of New Zealand partner. The SYD dyed yarn then goes to White Oak Carpets, yet another Wools of New Zealand partner, who have elected to be the Laneve® initial launch customer in North America. The White Oak Laneve® carpet will be launched at the Surfaces trade show in Las Vegas in January in the New Year. This is a very important breakthrough for Wools of New Zealand and for the Laneve® brand in the massive US market.

To supply this contract, Wools of New Zealand seek 300,000 kg of wool as follows:

Specification:

- 2-4"
- 34 to 38 micron
- VM 0.1%
- Y-Z 0.0max, Min Y value 66+ (Standard carpet wool)
- Laneve traceable, accredited farm supply. Wools of New Zealand Shareholders only.

Delivery dates: (using our Direct-to-Scour model)

By January 31 st	100,000 kg
By February 28 th	100,000 kg
By March 31 st	50,000 kg
By April 30 th	50,000 kg
Total	300,000 kg

Payment Terms:

30 days after delivery using our Direct-to-Scour model

Price: \$4.65/kg (clean)

We expect that this offer will be heavily over-subscribed and we will close out the contract on a first-come-first-served basis, in order of receipt of emails from growers. (This offer is only open to Wools of New Zealand shareholders because of the expected over-subscription).

We anticipate further similar contracts, early in the New Year.

Camira Lambswool Contracts

We are getting regular inquiries for Camira Lamb's Wool contracts and we are keen to lock down the full volume for 2014 supply just as soon as practical. First option will be for Wools of New Zealand Shareholders, then Wools of New Zealand 'supporters' and then wider supply if required. If you are keen to secure some contracted supply then please contact us at 03 9741 805 or email info.nz@woolsnz.com so we can get a pre-detailed contract form out to you for your acceptance.

We have fielded some inquiry about the deferred payment terms on offer. In short, most lamb's wool harvest is January to April 2014, but supply to Camira is two containers per month from April 2014 to March 2015. Wools of New Zealand is paid on the last day of the month following delivery, so Wools of New Zealand is not paid in full until 30 April 2015, some 16 months from the first harvest date. The deferred payment terms reflect this direct market linkage and a sharing of the funding burden between Wools of New Zealand and you as growers. This will be an ongoing feature of

future Wools of New Zealand contracts, as we link you as growers more closely with top-end market returns.

The \$6.10/kg (clean) price, especially with Direct-to-Scour benefits, even when discounted for the deferred payment terms, is still comfortably better than any other lamb's wool pricing that we are aware of.

Direct to Scour

Volumes through the Direct to Scour channel are steadily increasing. A reminder to ensure you email or fax a completed Wools of New Zealand Wool Specification Sheet to Wool Logistics, our transport coordinators, before your wool is moved off farm. We have had instances where growers have instructed their local carriers to pick up wool from farm which has caused problems for Wool Logistics. Note, we have updated the Wools of New Zealand Wool Specification Sheet which is available for download at

www.ourwool.co.nz/sales-options/direct-to-scour-contract/

Ross Townshend
Chief Executive

Contact Us

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

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