

Product Disclosure Statement

For an offer of ordinary shares

by **Wools of New Zealand Limited**

26 March 2018

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose. Wools of New Zealand has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

KEY INFORMATION SUMMARY

What is this?

This is an offer of ordinary shares ("**Shares**") in Wools of New Zealand Limited ("**WNZ**" or the "**Company**"). The Shares give you a stake in the ownership of WNZ. You may receive a return if dividends are paid or WNZ increases in value and you are able to sell your Shares.

If WNZ runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

About Wools of New Zealand

WNZ is a global sales and marketing company, 100% owned by New Zealand Wool Growers. The Company is focused on developing relationships resulting in commercial outcomes with targeted customers globally.

Purpose of this offer

There will be no money raised by the issue of Shares in this offer. The purpose of this offer is to:

- Recognise (by the issue of Shares) financial contributions made by foundational Shareholders through the Wool Market Development Commitment ("**WMDC**") from Capitalisation of WNZ (in February 2013) to 30 June 2018 (which Shareholders committed to in the WNZ 2012 Capital Raise); and
- Give WNZ the ability to recognise (by the issue of Shares) existing and new Transacting Growers who supply Wool to WNZ at any time from 1 July 2018.

WNZ does not guarantee that any Shares, or any particular number of Shares, will be issued under this offer. All issues of Shares under this offer will be at the discretion of the Board.

Key terms of the offer

Description of Shares	Any Shares issued under this offer will be ordinary shares in Wools of New Zealand Limited.
Rights attaching to Ordinary Shares	The Shares will carry all the rights attached to, and rank equally with, existing ordinary shares in WNZ. Growers should note that there is a voting cap applicable to ordinary shares. More information about the voting cap can be found in section 5 " <i>Terms of the Offer</i> " on pages 11 to 13 and in the Constitution.
Consideration	Growers will not be required to pay any subscription price for the Shares. Only Growers who meet the Eligibility Criteria (set out below) will be eligible to receive Shares.
Eligibility Criteria – Existing Shareholders and Transacting Growers	<p>Eligible Growers are:</p> <ul style="list-style-type: none"> • Existing Shareholders who committed to pay the WMDC from Capitalisation of WNZ to 30 June 2018 <u>and who</u> remain up to date with that commitment on 30 June 2018 (known as "Existing Shareholders" in this PDS); and • Existing and new Transacting Growers who supply Wool to WNZ at any time from 1 July 2018 (known as "Transacting Growers" in this PDS) and, if the Innovation and Marketing Contribution (described below) is charged by WNZ, pay the Innovation and Marketing Contribution (by way of deduction at the point of sale). <p>Growers can elect to forgo any entitlement to Shares issued under this offer at any time by communication with WNZ.</p>

	<p>The Board retains the discretion to deem any Grower as being Eligible on any relevant Issue Date, where it thinks it is fair and reasonable to do so.</p>
<p>Innovation and Marketing Contribution</p>	<p>The Board is considering charging a fee on Wool transacted through WNZ from 1 July 2018 (the "Innovation and Marketing Contribution").</p> <p>If implemented, the Innovation and Marketing Contribution will be used by the Company to continue building capability and to differentiate the business to increase transacting volumes and value of all Wool sold. More information about what WNZ does and what the Innovation and Marketing Contribution will be used for, is set out in Section 3 "<i>Purpose of the Offer</i>" on page 10.</p> <p>Other details relating to the Innovation and Marketing Contribution, including how the charge will be set by the Board, are contained in a separate document entitled "<i>The Innovation and Marketing Contribution and Share Issue Policy</i>" (the "Board Policy"), a copy of which will be located on the Disclose Register once available or on request to WNZ. The Board Policy may develop/change over time and will be reviewed periodically by the Board. The Board retains the ultimate discretion whether to implement a Innovation and Marketing Contribution for Transacting Growers and all details relating to any fees which are, or will be, charged. All Transacting Growers will be given sufficient notice before any changes take effect.</p> <p>Any Innovation and Marketing Contribution that the Board decides to apply will be charged and deducted by WNZ at the point of sale through the buyer-created tax invoice in respect of Wool transacted through WNZ from 1 July 2018.</p>
<p>Shares issued to Existing Shareholders</p>	<p>Existing Shareholders who are eligible to receive Shares in respect of their WMDC commitment do not need to take any action.</p> <p>Shares will be automatically issued to Existing Shareholders as soon as practicable following 30 June 2018 (unless the Shareholder elects to forgo their Share entitlement by notice in writing to WNZ prior to issue).</p> <p>Existing Shareholders will be issued one Share for every dollar contributed to the WMDC, for the full period from Capitalisation of WNZ through to 30 June 2018.</p> <p>Shareholders should note that any issue of Shares in this offer does not affect their contractual commitment to pay the WMDC. Such commitment continues to accrue until 30 June 2018.</p> <p>All Shareholders who wish to receive Shares under this offer, and who are in arrears with their WMDC payments, must arrange for payment of those arrears as soon as possible (in any event prior to 30 June 2018), in order to qualify for Shares under this offer.</p> <p>WNZ may take appropriate action in relation to any Shareholders who remain in arrears in respect of their WMDC post 30 June 2018, including forfeiture of Shares in accordance with the Constitution.</p>
<p>Shares issued to Transacting Growers</p>	<p>Transacting Growers do not need to take any action.</p> <p>Transacting Growers are not required to pay any subscription price for the Shares. Any Shares issued will be in recognition of the supply of Wool to WNZ by Transacting Growers after 1 July 2018 and the payment of any Innovation and Marketing Contribution implemented by the Board and deducted at the point of sale in respect of Wool transacted through WNZ.</p> <p>The number of Shares (if any) to be issued to Transacting Growers will be determined by the Board from time to time considering relevant factors including:</p> <ul style="list-style-type: none"> • The volume of Wool transacted with WNZ; and

	<ul style="list-style-type: none"> • The time frame of these contributions. <p>Details of the level at which the Innovation and Marketing Contribution is currently set and the current calculation or methodology on which Shares will be issued to Transacting Growers, are set out in the Board Policy. The Board Policy may develop/change over time. All changes to the Board Policy will be at the discretion of the Board and all Transacting Growers will be given sufficient notice before any changes take effect.</p> <p>Transacting Growers should be aware that the method of calculating any Share entitlement and, accordingly, the number of Shares they receive on any Issue Date, may change over time.</p>
Opening Date	This offer opens on 4 April 2018. This is a continuous issue PDS and so there is no closing date.
Future Issue Dates	<p>Issue Date for Existing Shareholders: Shares will be issued to Existing Shareholders in respect of their WMDC commitment as soon as practicable after 30 June 2018.</p> <p>Issue Dates for Transacting Growers: Shares may be issued to Transacting Growers in accordance with the current Board Policy. The first Issue Date will be no earlier than 30 June 2019 (or other date as determined by the Board in its discretion).</p>

How pricing of the Shares is fixed

Growers are not required to pay any subscription price for the Shares. Only Growers who meet the Eligibility Criteria are eligible to receive Shares.

How you can get your money out

WNZ does not intend to quote these Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares.

Under the Constitution (and subject to the restrictions on who can hold Shares) you are permitted to sell your Shares. While there is no established market for the Shares, WNZ does facilitate share sales on an arms' length basis by introducing willing buyers to willing sellers. All negotiations for the sale of Shares must be conducted by the Shareholder. WNZ will not get involved in negotiating the terms of any sale. The Board must approve all Share transfers before any transaction is complete.

You have no ability to require WNZ to redeem or repurchase your Shares. More information about the ability to transfer your Shares to another Grower, is set out in section 5 "*Terms of the Offer*" on pages 11 to 13.

Key drivers of returns

The following is a brief summary of the current and future aspects of WNZ's business that have, or may have, the most impact on the financial performance of the business:

- The volume of Wool which WNZ transacts and is able to sell on behalf of Transacting Growers and the terms of purchase;
- The volume of Wool which WNZ is able to transact with its customers, and the terms of trade; and
- WNZ's ability to develop new innovative technologies relating to the processing of Wool and the creation of products from it.

In addition to the aspects of WNZ's business which impact on its financial performance, returns to WNZ's Transacting Growers are directly impacted by the volume and attributes of Wool the Transacting Grower can grow and sell to WNZ and the price it receives from WNZ for that Wool.

WNZ's long term business strategies focus on securing contract opportunities for its Shareholders, through the marketing and sales of Wool, woollen products, brands and services and the establishment of supply chains which connect Transacting Growers to buyers of Wool. WNZ's Shareholders have preferential access to WNZ-arranged supply contracts.

More information about WNZ's business can be found in section 2 "*WNZ and what it does*" on pages 7 to 8.

Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about WNZ's future performance and returns is suitable for you. WNZ considers that the most significant risk factors that could affect the value of, or any returns on, the Shares are:

Risk Factors	Significance to WNZ
Insufficient supply, or reduction in supply of Wool, or a decrease in the price of Wool	WNZ operates in a market which is subject to certain operational risk factors which are largely beyond its control, including those relating to: prevailing economic conditions including international instability, particularly in the wool, flooring, furnishing and interior fashions sector; changes in consumer perception/demand; weather conditions and shearing patterns; competition and/or loss of any key clients; WNZ's relationships with key players in the industry; currency fluctuations; land use change; and availability of wool types meeting certain characteristics or specifications, all of which may lead to an insufficient supply or reduction in supply of Wool or a decrease in the price of Wool. A reduction in supply for whatever reason, or a decrease in the price of Wool sold by Existing Shareholders and/or Transacting Growers could adversely affect the WNZ Group's financial position, financial performance or plans. Any prolonged or serious poor financial performance could ultimately lead to solvency issues for WNZ.
Inability to enter into contracts for the on-sale of Wool	WNZ's revenue relies on its ability to negotiate, maintain and grow contracts for the on-sale of Wool. An inability to enter into contracts may be the result of insufficient supply of Wool or certain types of Wool, or through the loss of relationships with key partners in the industry and/or a failure to build new relationships. These risks could lead to a reduction in supply of Wool, a decrease in the price of Wool or an inability to on-sell Wool, all of which could adversely affect the WNZ Group's financial position, performance or plans (as outlined above).
Reliance on Grower support	WNZ is a relatively new company which is still building its revenue streams. Financial contributions by Transacting Growers (historically, through the WMDC and in the future through the Innovation and Marketing Contribution) make up an important part of that revenue and will continue to do so for the foreseeable future.

This summary does not cover all the risks of investing in Shares. You should also read section 8 of this PDS "*Risks to WNZ's business and plans*" on pages 15 to 17.

Where you can find WNZ's financial information

The financial position and performance of WNZ are essential to an assessment of this offer. WNZ's financial information is not required to be included in this PDS because this is a continuous offer of ordinary Shares. However, WNZ's audited annual financial statements are available on the Disclose Register at www.companiesoffice.govt.nz/disclose offer number OFR12277.

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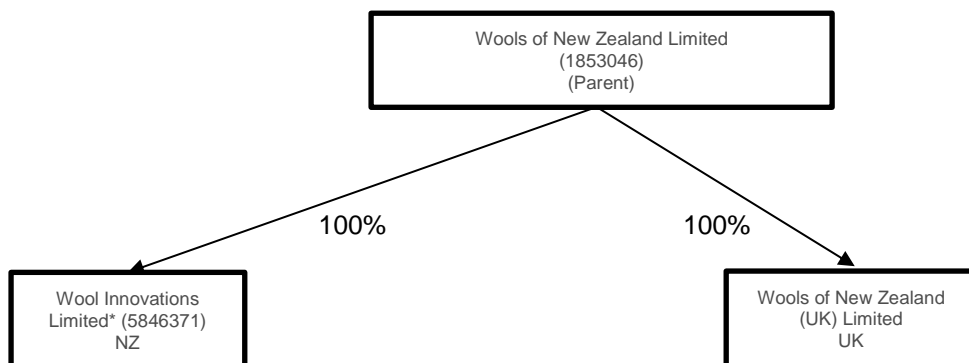
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SECTION 2

Wools of New Zealand and what it does

Overview

WNZ was incorporated in New Zealand on 9 August 2006 and acquired its wholly-owned subsidiary, Wools of New Zealand (UK) Limited on 31 August 2006. It also has wholly-owned New Zealand subsidiaries, Wool Innovations Limited and Wool Interiors Limited. The Company was established to market and sell Wool throughout the world. Following a capital raise in late 2012, 721 Wool Growers became shareholders of WNZ in February 2013. The following is a diagram showing the Group structure:



*Wool Innovations Limited is a non-trading subsidiary of WNZ.

The main business activities of WNZ are:

- Providing an efficient and effective supply chain to manage the flow of Shareholders' wool from the farm through to the customer;
- Providing sales options for Shareholders that include market-driven, branded contracts and evolving prompt sales opportunities, such as the wool tender and scoured wool pools;
- Developing new products with manufacturing partners that open-up new product and new market opportunities which are underpinned by forward contracts; and
- Investing in new technologies to enhance the value of WNZ Wool, increasing demand by improving the design potential for customers and product performance for consumers.

It has been undertaking these activities since incorporation.

The current and future aspects of WNZ's business that have or may have the most impact on the financial performance of WNZ's business are:

- The volume of Wool which WNZ transacts and is able to sell on behalf of Transacting Growers and the terms of purchase;
- The volume of Wool which WNZ is able to sell to its customers and the terms of sale; and
- WNZ's ability to commercialise new innovative technologies relating to the processing of Wool and the creation of products from it.

WNZ aims to benefit its Shareholders by the following key strategies:

- Creating supply chains from Shareholders through to spinners, manufacturers, retailers, designers and consumers to facilitate the flow of information and to improve efficiencies and returns for Shareholders;
- Growing sales of Wool at commercially sustainable levels via contracts and sales and payment options to improve Shareholders' returns and price stability;

- Investing in new technologies to enhance the current uses of Wool and focus on new uses to increase demand and further differentiate WNZ;
- Ongoing product and brand development to create more customer and consumer demand for WNZ Wool;
- Continuing to build a commercially driven sales and marketing operation; and
- Collaborating with partners where commercially and mutually beneficial.

Historically, WNZ has received financial support from Growers through the WMDC, which ceases on 30 June 2018. As from 1 July 2018, financial support may be provided to WNZ by Transacting Growers through the Innovation and Marketing Contribution which is described on page 12.

Further material about the Group and the benefits it provides to Shareholders and Transacting Growers, can be found in the latest WNZ Annual Report a copy of which can be found on the Offer Register at www.companiesoffice.govt.nz/disclose, offer number OFR12277.

Directors, senior managers, and individual relevant parties

The Board currently comprises Mark Shadbolt (Chairman), Craig Hickson and Lucy Griffiths (all Grower-appointed Directors) and Ian Marshall and Rebecca Smith (both Board-appointed Directors).

Profiles for each of the WNZ directors are available on the Offer Register at www.companiesoffice.govt.nz/disclose, offer number OFR12277 in the document entitled "*Director Profiles*".

WNZ's senior management team comprises:

- Rosstan Mazey – Chief Executive
- Fiona McIlraith – Financial Manager
- David Hammond – Global Commercial Manager
- Steven Parsons – Business Development Manager
- Ivan Gullidge – Wool Supply Manager
- Philppa Park – Export Manager

Table of substantial shareholders and of relevant interests held by directors and senior managers, etc

A table showing shares held by any of the Directors, senior managers (or proposed Directors or senior managers) of WNZ and any other person who has an interest of 5% or more in WNZ's ordinary shares, can be found on the Offer Register at www.companiesoffice.govt.nz/disclose, offer number OFR12277. Shareholders should also note that there is a voting cap on all ordinary shares (as described below under the heading "*Other material governance disclosures*

") which effectively caps Shareholders' voting rights at a maximum of 5%.

As at the date of this PDS, there are no options to acquire Shares or any other equity securities issued or proposed to be issued by WNZ.

Interests of directors, senior managers, etc

Remuneration of Directors

	Fees paid to each Director for the year ended 30 June 2017**
Mark Shadbolt	\$60,000

(Chairperson)	
Craig Hickson	\$30,000
Jamie Tuuta (now retired)	\$30,000
Total	\$134,400

**There has been no material change in these figures since 30 June 2017.

It is not currently intended that the quantum of remuneration paid to each Director of WNZ will be materially different in future financial years, however the total amount paid to Directors may increase or decrease from the total remuneration shown above where the number of Directors fluctuates (whether up or down) from time to time.

WNZ has, since 2 October 2014, established a Risk and Audit Committee. In addition to standard Directors' fees, the Director acting as the chairperson of WNZ's Audit and Risk committee receives remuneration of \$15,000 per annum.

Other services performed by Directors

Mark Shadbolt was engaged by the Board from October 2016 to perform additional shareholder and stakeholder engagement duties which are over and above normal governance duties (such as attending and presenting at Shareholder meetings) at a daily rate of \$900 exl gst, capped at a maximum of 25 days per annum. For the year ended 30 June 2017, Mark received remuneration for these services in the amount of \$14,400. WNZ does not expect this to be materially different in subsequent financial years.

Remuneration of employees

The following shows employees or former employees of WNZ, who are not directors, whose remuneration and benefits in their capacity as employees, exceeded \$100,000 in the year ended 30 June 2017***:

Remuneration	No. of Employees
\$100,001 – 110,000	1
\$110,001 – 120,000	-
\$120,001 – 130,000	2
\$140,001 – 150,000	1
\$150,001 – 160,000	-
\$160,001 – 170,000	-
\$180,001 – 190,000	1
\$220,001 – 230,000	1

***There has been no material change in these figures since 30 June 2017.

Other material governance disclosures

Voting cap

Holders of WNZ ordinary shares are entitled to one vote for every ordinary share held. However, if a Shareholder (together with that Shareholder's "Associates" (as that term is defined in the Constitution), holds, controls, or has a "Relevant Interest" (as that term is defined in the Constitution) in more than 5% of the total ordinary shares in WNZ, the voting rights attaching to those ordinary shares will in total be restricted to a maximum of 5% of the total voting rights attaching to ordinary shares in WNZ from time to time.

Director appointments, removal and rotation

The Directors are to be appointed and retire in the same manner as required and provided by the Companies Act, except that:

- The Board shall comprise both Board-appointed and Grower-appointed Directors. Grower-appointed Directors shall be appointed and removed by Ordinary Resolution at an AGM. Board-appointed Directors shall be appointed by the Board. However, any Board appointment must be ratified by the Shareholders at WNZ's next annual general meeting following the appointment.
- The number of Grower-appointed Directors must exceed the number of Board-appointed Directors and there must always be at least one Board-appointed Director.
- At each annual general meeting, one of the Grower-Appointed Directors shall retire from office provided that:
 - if there are only two Grower-Appointed Directors, then every third year, no Grower-Appointed Directors shall retire from office; and
 - if there are more than four Grower-Appointed Directors, then every fourth year, two Grower-Appointed Directors shall retire from office.

There are no provisions in WNZ's Constitution relating to the retirement age of Directors.

There is no person who has any special right to appoint a Director (other than the Shareholders in general meeting or the Directors acting as a Board), to fill a casual vacancy.

The Directors also have the power to apply to the Registrar of Companies for removal of WNZ under clause 21.3 of the Constitution. This is usually done by Shareholder resolution, but can be done by the Directors if authorised by the Constitution (section 318(1)(d) of the Companies Act).

The Constitution does not contain any provisions allowing the Board to act in the best interests of an entity other than WNZ.

SECTION 3

Purpose of the offer

There will be no money raised by the issue of Shares in this offer. The purpose of this offer is to:

- Recognise (by the issue of Shares) financial contributions made by foundational Shareholders through the Wool Market Development Commitment ("WMDC") from Capitalisation of WNZ (in February 2013) to 30 June 2018 (which shareholders committed to in the WNZ 2012 Capital Raise); and
- Give WNZ the ability to recognise (by the issue of Shares) all existing and new Transacting Growers who supply Wool to WNZ at any time from 1 July 2018.

WNZ intends that the issue of Shares under this offer will:

- Recognise the contributions of Existing Shareholders who are up to date with their WMDC;
- Encourage Existing Shareholders who are not fully paid up to transact and get up to date with their WMDC; and
- From 1st July 2018, enable WNZ to recognise the transactional support made by all Growers who transact their Wool through WNZ.

The transaction of Wool with WNZ is the Company's main business activity. The WMDC and, from 1 July 2018, the Innovation and Marketing Contribution will be used by WNZ to further its marketing, innovation and sales activities as described in Section 2 "*WNZ and what it does*" on pages 7 to 10, including market development, growth of value-add contracts and investment in new technologies.

More information about the Innovation and Marketing Contribution and who is Eligible for Shares is set out in Section 5 "*Terms of the offer*" below.

SECTION 4 Key dates and offer process

Opening Date	4 April 2018
Issue Dates	Issue Date for Existing Shareholders: Shares will be issued to Existing Shareholders as soon as practicable following 30 June 2018. Issue Dates for Transacting Growers: Shares may be issued to Transacting Growers in accordance with the current Board Policy. The first Issue Date will be no earlier than 30 June 2019 (or other date as determined by the Board in its discretion).
Date on which the WMDC ceases	30 June 2018
Date on which a Innovation and Marketing Contribution may commence for Transacting Growers	Any Innovation and Marketing Contribution that the Board decides to apply will be charged and deducted by WNZ at the point of sale in respect of Wool transacted through WNZ at any time from 1 July 2018.

This is a continuous issue PDS which means that there is no closing date for this offer. However, the Board may, in its discretion, close this offer and/or cease to offer Shares under this PDS, at any time and will notify Transacting Growers of any decision to do so.

SECTION 5 Terms of the offer

Description	This offer is for the issue of ordinary shares in WNZ.
Consideration	Any Shares issued by WNZ under this offer will be issued for nil consideration. That means that Growers are not required to pay any subscription price for the Shares. Only Growers who meet the Eligibility Criteria (set out below) will be eligible to receive Shares.
Eligibility criteria	Eligible Growers are: <ul style="list-style-type: none"> Existing Shareholders who committed to pay the WMDC from Capitalisation of WNZ to 30 June 2018 <u>and who</u> remain up to date with that commitment on 30 June 2018; and

	<ul style="list-style-type: none"> Transacting Growers who supply Wool to WNZ at any time from 1 July 2018. <p>Growers can elect to forgo any entitlement to Shares issued under this offer at any time by notice in writing to WNZ.</p> <p>The Board retains the discretion to deem any Grower as being Eligible on any relevant Issue Date, where it thinks it is fair and reasonable to do so.</p> <p>Growers are encouraged to contact WNZ if they would like more information about their individual Eligibility for the issue of Shares under this offer.</p>
Innovation and Marketing Contribution	<p>The Board is considering the implementation of a Innovation and Marketing Contribution which will apply to Wool transacted through WNZ from 1 July 2018.</p> <p>If implemented, the Innovation and Marketing Contribution will be used by WNZ to continue building capability and to differentiate its business to increase transacting volume and value of Wool sold. More information about what WNZ does and what the Innovation and Marketing Contribution will be used for, is set out in Section 3 "<i>Purpose of the Offer</i>" on page 10.</p> <p>Other details relating to the Innovation and Marketing Contribution, including how the charge will be set by the Board, will be contained in a separate document entitled "<i>The Innovation and Marketing Contribution and Share Issue Policy</i>" (the "Board Policy"), a copy of which will be located on the Disclose Register once available or on request to WNZ.</p> <p>The Board Policy may develop/change over time and will be reviewed periodically by the Board. The Board retains the ultimate discretion whether to implement a Innovation and Marketing Contribution for Transacting Growers and all details relating to any fees which are, or will be, charged. All changes to the policy will be at the discretion of the Board and all Transacting Growers will be given sufficient notice before any changes take effect.</p> <p>Any Innovation and Marketing Contribution that the Board decides to apply will be charged and deducted by WNZ at the point of sale through the buyer-created tax invoice in respect of Wool transacted through WNZ from 1 July 2018.</p> <p>The Directors have received professional advice that the Innovation and Marketing Contribution payments should be tax deductible to Growers. However, this is not guaranteed and the question of tax deductibility depends on each Grower's individual circumstances. Growers are strongly recommended to take their own professional advice on tax matters.</p>
Shares issued to Existing Shareholders	<p>Existing Shareholders who are Eligible to receive Shares do not need to take any action.</p> <p>Shares will be automatically issued to Existing Shareholders as soon as practicable following 30 June 2018 (unless the Shareholder elects to forgo their Share entitlement by notice in writing to WNZ prior to issue).</p> <p>Existing Shareholders will be issued one Share for every dollar contributed to the WMDC, for the full period from Capitalisation of WNZ through to 30 June 2018.</p>

	<p>Any Shareholders who are, or will be, in arrears in respect of their WMDC on 30 June 2018 and who wish to receive Shares, must arrange for payment of the arrears prior to that date.</p> <p>WNZ may take appropriate action in relation to any Shareholders who remain in arrears in respect of their WMDC post 30 June 2018, including forfeiture of Shares.</p> <p>Shareholders should note that any issue of Shares in this offer does not affect their contractual commitment to pay the WMDC. Such commitment continues to accrue until 30 June 2018.</p>
Shares issued to Transacting Growers	<p>Transacting Growers do not need to take any action.</p> <p>Transacting Growers are not required to pay any subscription price for the Shares. Any Shares issued will be in recognition of the supply of Wool to WNZ by Transacting Growers after 1 July 2018 and the payment of any Innovation and Marketing Contribution implemented by the Board and deducted at the point of sale in respect of Wool transacted through WNZ, in accordance with criteria contained in the Board Policy.</p> <p>The number of Shares (if any) to be issued to Transacting Growers will be determined by the Board from time to time considering relevant factors including:</p> <ul style="list-style-type: none"> • The volume of Wool transacted with WNZ; and • The time frame of these contributions. <p>Details of the level at which the Innovation and Marketing Contribution is currently set and the current calculation or methodology on which Shares will be issued to Transacting Growers, are set out in the Board Policy. The Board Policy may develop/change over time. All changes to the Board Policy will be at the discretion of the Board and all Transacting Growers will be given sufficient notice before any changes take effect. The Board retains the ultimate discretion to cease offering Shares to Transacting Growers at any time under this offer.</p>
Future issue dates	<p>Shares to be issued to Existing Shareholders will be issued as soon as reasonably practicable after 30 June 2018.</p> <p>Shares may be issued to Transacting Growers in accordance with the current Board Policy. The first Issue Date for Transacting Growers will be no earlier than 30 June 2019 (or other date as determined by the Board in its discretion).</p>
Constitution	<p>The Constitution of WNZ contains provisions relevant to the Shares, including the voting cap, director appointments and removals, transfer of Shares and Shareholder meetings. A copy of the Constitution can be found on the Disclose Register at: www.companiesoffice.govt.nz/disclose, offer number OFR12277.</p>
Other material information	<p>Other material information about WNZ can be found on the Company's websites www.woolnz.com, and www.ourwool.co.nz, or on the Offer Register at www.companiesoffice.govt.nz/disclose, offer number OFR12277, including:</p> <ul style="list-style-type: none"> • The latest annual report (also available on the Disclose Register); • Director Profiles; and • Table of relevant interests in Shares.

SECTION 6

Key features of ordinary shares

Rights attaching to ordinary shares	<p>The Shares will carry all the rights attached to, and rank equally with, existing ordinary shares in WNZ. In particular, each Share will carry the right to:</p> <ul style="list-style-type: none"> • Vote, subject to: <ul style="list-style-type: none"> ○ the voting cap described below; and ○ the provisions in the Constitution regarding appointment and removal of directors as described under the heading "<i>Other material governance disclosures</i>" on page 9; • An equal share in dividends authorised by the Board; and • An equal right to share in the distribution of surplus assets of WNZ on a liquidation.
Voting cap	<p>Shareholders are entitled to one vote for every ordinary share held. However, if a Shareholder (together with that Shareholder's "Associates" (as that term is defined in the Constitution)), holds, controls, or has a "Relevant Interest" (as that term is defined in the Constitution) in more than 5% of the total ordinary shares in WNZ, the voting rights attaching to those ordinary shares will in total be restricted to a maximum of 5% of the total voting rights attaching to ordinary shares in WNZ from time to time.</p>
Dividend policy	<p>Returns to Shareholders may take the form of dividends (or similar forms of distributions payable on the Shares). However, WNZ has not paid any dividends to date, and does not envisage being able to pay dividends in the foreseeable future.</p> <p>Dividends (at any time) are not guaranteed, are at the discretion of the Board and will be declared only after WNZ has met appropriate solvency requirements.</p>

Other key terms of the offer are set out in section 5 of the PDS "*Terms of offer*" on pages 11 to 13.

SECTION 7

Financial information

Full financial statements for WNZ are available on the Offer Register at www.companiesoffice.govt.nz/disclose, offer number OFR12277. Also available on the Offer Register is a table of selected financial information taken from the financial statements for WNZ's three most recently completed accounting periods. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

SECTION 8

Risks to Wools of New Zealand's business and plans

The following is a description of circumstances that WNZ is aware of that exist or are likely to arise that increase the risk to the WNZ Group's financial position, financial performance, or stated plans.

Risk Factors	Significance to WNZ
<p>Insufficient supply or loss of supply of Wool leading to poor financial performance</p>	<p>WNZ operates in a market which is subject to certain operational risk factors which are largely beyond its control. Those risk factors which are specific to WNZ or the industry in which it operates, includes those relating to:</p> <ul style="list-style-type: none"> • Prevailing economic conditions including international instability, particularly in the wool, flooring, furnishing and interior fashions sector; • Changes in consumer perception/demand; • Weather conditions and shearing patterns; • WNZ's relationships with key players in the industry including procurers, brokers, scourers and merchants; • Land use change; and • Availability of wool types meeting certain characteristics or specifications, <p>all of which may lead to a loss of supply of Wool or a decrease in the price of Wool.</p> <p>A loss of supply for whatever reason, or a decrease in the price of Wool sold by Existing Shareholders and/or Transacting Growers, could lead to the loss of:</p> <ul style="list-style-type: none"> • WMDC revenue (up to 30 June 2018) for WNZ, because the WMDC is based on its Existing Shareholders' total Strong Wool production; or • Revenue derived from the Innovation and Marketing Contribution (post 1 July 2018 – to the extent it's implemented) for WNZ, because the Innovation and Marketing Contribution will likely be based on the total volume of Wool transacted through WNZ and the price that the Wool is sold for. <p>Both of the above occurrences could adversely affect the WNZ Group's financial position, financial performance or plans.</p>
	<p><i>Prevailing economic conditions in the wool sector</i></p> <p>The operating and financial performance of WNZ will be influenced by economic and business conditions affecting the New Zealand and world economies. This is particularly applicable to WNZ's business because WNZ deals in a product which could be considered niche or high end, and so is more likely to be adversely affected by adverse economic conditions. A recession in any of the key economies of the world would be expected to affect retail demand and world commodity prices, including those for Wool and Wool-related products.</p> <p><i>Land use change</i></p> <p>WNZ faces the risk of loss of supply arising from competition for land use in New Zealand and Growers choosing to use their land for activities other than the farming of sheep, or Shareholders having to reduce their</p>

	<p>stock numbers which could impact on both the volume and quality of Wool available for WNZ to take to market and sell.</p> <p><i>Availability of wool types meeting certain characteristics</i></p> <p>WNZ supplies wool to a range of markets and end-use products that generally require high quality fibre on a consistent annual basis. Given climate and seasonal fluctuations then the annual supply of certain wool types is a risk mitigated by influencing grower behaviour through direct communication and education of a particular market requirement. Ultimate behaviour and supply of wool is driven essentially by the price received by a transacting grower.</p>
Inability to enter into contracts for the on-sale of Wool	<p>WNZ's revenue relies on its ability to win and retain contracts for the on-sale of Wool. WNZ currently sells more than a quarter of its Wool through forward contracts, which is a sales option that the Company seeks to grow. An inability to enter into contracts for any reason, including:</p> <ul style="list-style-type: none"> • Insufficient supply of Wool or certain types of Wool (as described above); or • Loss of relationships with key players in the industry and/or a failure to make new relationships; <p>could lead to a reduction in supply, a decrease in the price of Wool or an inability to on-sell Wool, all of which could adversely affect the WNZ Group's financial position, performance or plans (as outlined above).</p>
Reliance on Grower support	<p>WNZ is a relatively new company which is still building its revenue streams. Financial contributions by Transacting Growers make up an important (but less than 20%) part of that revenue and are likely to continue to do so for the foreseeable future, including to support ongoing business initiatives (like investment in new technologies). Accordingly, a decrease or loss of financial contributions from Transacting Growers could adversely affect the WNZ Group's financial position, financial performance or plans. It is intended that WNZ's reliance on Grower support will decrease over time as the Company's financial position gets stronger.</p>
Commercialisation of New Technologies	<p>WNZ faces risks around the commercialisation of new technologies, including those relating to:</p> <ul style="list-style-type: none"> • Appropriate research, development and due-diligence process to assess technical and commercial viability; and • Accurate evaluation of the market opportunity and realising it through the commercialisation and launch of the new technology. <p>Commercialisation of new technologies represents a very significant part of the WNZ's business and differentiates WNZ from other NZ wool entities. Strategically this is an area where WNZ sees the potential for maximum future growth. Accordingly, this risk is particularly pertinent to the WNZ Group.</p>

SECTION 9

Tax

Tax can have consequences for investments and can affect your return from the Shares. The Directors have received advice that this Share issue would be classed as a non-taxable bonus issue for taxation purposes and therefore would not be treated as a dividend. This means that the Share issue should be tax-free in the hands of Shareholders, assuming Shareholders hold their Shares on capital account. However, this information is general guidance only and not intended as financial advice. You should carefully consider how receiving Shares in WNZ under this offer might affect your personal financial and taxation circumstances and in this regard, seek professional advice before deciding whether to accept the Shares.

SECTION 10

Where you can find more information

Further information relating to WNZ and the Shares is available on the Offer Register at www.companiesofficebusiness.govt.nz/disclose, offer number OFR12277 (for example, a copy of WNZ's Constitution and financial statements). A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers (email: registrar@fspr.govt.nz).

Further information relating to WNZ is available:

- On the public register at the Companies Office of the Ministry of Economic Development (available at www.business.govt.nz/companies); and
- On WNZ's websites www.woolsnz.com, and www.ourwool.co.nz

The Company is registered on the Financial Services Providers Register. Growers can search the Financial Service Providers Register to find out details about WNZ at www.companiesofficebusiness.govt.nz/fsp/.

Any request for information can be made by mail to Wools of New Zealand Limited at PO Box 16 819, Christchurch 8441. The provision of information by mail will incur a reasonable fee for printing and postage expenses.

Enquiries in relation to your existing Shareholding may be made to WNZ to the following:

Wools of New Zealand Limited
Attention: Avril Jordan

Aviation House, Building 1
Level 1, 12 Orchard Road
Christchurch Airport 8053

Or

PO Box 16819
Hornby
Christchurch 8441

Telephone: +64 3 974 1805

Email: avril.jordan@woolsnz.com

SECTION 11

How to apply

Existing Shareholders

Existing Shareholders do not need to take any action. Existing Shareholders will be issued Shares as soon as practicable following 30 June 2018, unless they elect to forgo their Share entitlement by notice in writing to WNZ prior to issue.

Any Shareholders who are, or will be, in arrears in respect of their WMDC on 30 June 2018 and who wish to receive Shares, must arrange for payment of the arrears as soon as possible prior to that date.

If you are unsure whether you are up to date with your WMDC, please contact WNZ.

Transacting Growers

Transacting Growers do not need to take any action. If the Board determines to issue Shares, all Transacting Growers will be issued Shares annually (in arrears), with the first issue date being as soon as practicable following 30 June 2019 (or by Board discretion), unless they elect to forgo any Share entitlement by notice in writing to WNZ prior to issue.

SECTION 12

Contact information

If you have any enquiries about WNZ, this offer (or any aspect of it including the Innovation and Marketing Contribution and any Shares that may be allocated to you under this offer), you can contact WNZ at the following:

Wools of New Zealand Limited
Attention: Avril Jordan

Aviation House, Building 1
Level 1, 12 Orchard Road
Christchurch Airport 8053

Or

PO Box 16819
Hornby
Christchurch 8441

Telephone: +64 3 974 1805

Email: avril.jordan@woolsnz.com

The contact details for WNZ's share register is as follows: Share Registrar, Wools of New Zealand Limited
C/- Link Market Services Limited
P O Box 91976
Auckland 1142

Telephone. +64 9 375 5998 or
email. imsenquiries@linkmarketservices.com

GLOSSARY

Board	means the Board of Directors of WNZ;
Business Day	means any day other than a Saturday or Sunday on which banks in New Zealand are generally open for business;
Capitalisation of WNZ	means February 2013;
Companies Act	means the Companies Act 1993 and includes any amendment or extension for the time being in force;
Constitution	means the Constitution of WNZ as amended from time to time;
Directors	means the directors for the time being of WNZ and " Director " shall have a corresponding meaning;
Disclose Register	means the electronic register of offers kept under Schedule 2 of the FMCA;
Eligibility Criteria	means the eligibility criteria for receiving Shares under this offer, as set out in this PDS under Section 5 " <i>Terms of the Offer</i> " on pages 11 to 13 and Eligible shall have a corresponding meaning;
Existing Shareholder	means a Grower who is a Shareholder of WNZ as at 30 June 2018 and who meets the Eligibility Criteria;
Financial Year	means the period of 12 months ending on 30 June;
FMCA	means the Financial Markets Conduct Act 2013 as amended from time to time;
Group	means WNZ and its subsidiaries, the UK Subsidiary, Wool Innovations Limited and Wool Interiors Limited;
Grower	<p>means:</p> <ul style="list-style-type: none"> – farmers who currently produce Wool (including through family trusts, companies and similar structures); and – farmers who have recently produced Wool (at the discretion of WNZ); and – meat processors which produce Slipe Wool; and – the Crown and any Government Department, State-owned or statutory corporation, or other corporation actively engaged in producing Wool. <p>If any doubt or dispute shall arise as to whether or not a person is a Grower within the meaning of this definition, the decision of the Board thereon shall be final and conclusive;</p>
Issue Date	means any date on which Shares are issued under this offer, as set out in Section 5 " <i>Terms of the Offer</i> " on pages 11 to 13;
Innovation and Marketing Contribution	means any fee which WNZ determines to charge Transacting Growers in respect of Wool transacted with the Company from 1 July 2018;

Ordinary Resolution	means a resolution of Shareholders approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question;
PDS	means this Product Disclosure Statement prepared under the FMCA and Regs.
Regs	means the Financial Market Conduct Regulations 2014 as amended from time to time;
Share	means an ordinary share in WNZ issued under this offer;
Shareholder	means the registered holder for the time being of Shares in WNZ;
Share Registrar	means Link Market Services Limited, P O Box 91976, Auckland 1142;
Slip Wool	means all wool which is produced by meat processors as a by-product of their meat processing operations;
Special Resolution	means a resolution approved by a majority of 75 percent of the votes of those Shareholders entitled to vote and voting on the question;
Strong Wool	means wool deemed to be strong wool by the Board, from time to time, in its discretion. As at the date of this PDS, the Board has resolved to deem any wool having a diameter greater than 28 microns as being Strong Wool;
Transacting Growers	means all those Growers (including Existing Shareholders) who supply Wool to WNZ;
UK Subsidiary	means Wools of New Zealand (UK) Limited;
WMDC	means the Wool Market Development Commitment;
WNZ or the Company	means Wools of New Zealand Limited;
Wool	means primarily Strong Wool and Slip Wool, but could include other kinds of wool at the discretion of the Board.