

The New Zealand Merino Company Limited

SHARE BUY-BACK DISCLOSURE DOCUMENT

Disclosure Date: 3 November 2020

Offer Date: 18 November 2020

*This document is provided to all Shareholders under sections 61(5) and 62 of the Companies Act
1993*

This is an important document that requires your immediate attention

*If you do not understand its contents or are unsure what to do, you should consult your financial or
other professional adviser*

TABLE OF CONTENTS

KEY FEATURES OF THE BUY-BACK.....	1
INDICATIVE TIMETABLE.....	1
1. INTRODUCTION	2
2. WHY THE BOARD APPROVED THE BUY-BACK	2
3. BOARD RESOLUTIONS	3
4. INTERESTED DIRECTORS	3
5. TERMS OF THE BUY-BACK	4
6. CONDITIONS OF THE BUY-BACK	6
7. HOW TO COMPLETE AN ACCEPTANCE FORM	7
8. TAXATION EFFECTS OF THE BUY-BACK	8
9. OTHER MATERIAL INFORMATION.....	9
10. PRIVACY POLICY	10
11. GLOSSARY	11

KEY FEATURES OF THE BUY-BACK

- To offer a liquidity opportunity for Eligible Shareholders to exit their investment in NZM.
- Eligible Shareholders cannot participate in the Buy-Back if they participate in the Share Offer. If you try to participate in both the Share Offer and the Buy-Back, only your participation in the Share Offer will be accepted.
- Buy-Back Price is \$3.80 per Share in cash.
- The Buy-Back will only be available to Shareholders on the Record Date with a registered address in New Zealand.
- Eligible Shareholders can elect to participate in the Buy-Back only in respect of their entire shareholding on the Record Date, as the Buy-Back is intended to provide an opportunity for a full exit.
- Shares acquired under the Buy-Back will be cancelled.
- The Buy-Back is conditional upon a number of factors, including:
 - the Directors remaining satisfied that the statutory requirements set out in the Companies Act 1993 will continue to be fulfilled;
 - the Share Offer successfully completing on the Settlement Date; and
 - the Board being satisfied that each participating Eligible Shareholder has sold their entire shareholding under the Buy-Back.
- If there are insufficient funds from the Share Offer or available subscribed capital, Acceptances under the Buy-Back will be processed at NZM's discretion.
- NZM's intention is to conduct a Buy-Back that is tax free to participating Eligible Shareholders. See Section 8 for further details.
- If you choose to participate once the Buy-Back offer is made, your Acceptance Form must be received by the Share Registrar by 5:00pm on 2 December 2020.
- No brokerage fees are payable and participants in the Buy-Back are not required to make anti-money laundering and counter financing of terrorism disclosures.

Participation in the Buy-Back is not mandatory. Eligible Shareholders do not have to sell their Shares if they do not want to.

INDICATIVE TIMETABLE

Record Date	25 September 2020
Offer is made	18 November 2020
Buy-Back closes	2 December 2020
Settlement Date	21 December 2020

This timetable is indicative only and the dates may change. NZM reserves the right to vary or extend any of these dates.

1. INTRODUCTION

In order to provide Eligible Shareholders a simple means of exiting NZM and selling all of their Shares, NZM is proposing to purchase their Shares with some of the proceeds of the Share Offer currently being conducted, subject to processing of Acceptances at NZM's discretion if there are insufficient funds from the Share Offer or available subscribed capital.

Set out below are the details of how the Buy-Back works and why it was approved by the Board. In providing these details, NZM is providing information only and is not offering any recommendation or opinion to acquire or transfer Shares. In deciding whether or not to participate in the Buy-Back, you may wish to seek advice from a financial adviser to help you to make an investment decision.

2. WHY THE BOARD APPROVED THE BUY-BACK

Board considers price and terms are fair and reasonable

The Directors consider the Buy-Back Price is within the range of values they regard as fair and reasonable. In particular, the Directors considered:

- (a) NZM's current and future expected financial performance;
- (b) recent, albeit highly illiquid, secondary market trading prices for Shares; and
- (c) independent advice from Northington Partners Limited as to the valuation of the NZM Group (for reference, a summary of that valuation is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12964)). Northington Partners Limited has given their consent to this statement and to the release of their summary report (for reference only and not to be relied upon as financial advice to any Eligible Shareholder).

The terms of the Buy-Back themselves otherwise reflect legislative requirements and are geared to giving Eligible Shareholders a liquidity opportunity, which the Board considers benefits NZM and both Eligible Shareholders participating in the Buy-Back and those that are not.

Effective means of selling your Shares

The secondary market for Shares is limited and may continue to be in the near future. The Buy-Back represents an opportunity for Eligible Shareholders to cash their investment in full at the Buy-Back Price in a company-driven transaction without paying a brokerage fee or having to complete the AML/CFT requirements for a sale through a broker.

Alignment

Over the years, some Growers have exited the industry, while others remain Growers although they no longer supply NZM, but in each case they have retained some/all of their Shares.

The Buy-Back provides Eligible Shareholders that have exited the industry or no longer supply NZM with an opportunity to sell all of their Shares so that NZM's core Shareholder base is more aligned with NZM.

Eligible Shareholders that decide not to participate in the Buy-Back may still trade their Shares through the Unlisted Securities Exchange (USX) at any time.

USX is not a Licensed Financial Product Market. Efficient Market Services Limited, which operates USX, accepts no responsibility for any statement in this disclosure document.

3. BOARD RESOLUTIONS

The text of the Board resolutions authorising NZM to carry out the Buy-Back pursuant to section 61 of the Companies Act 1993 include the following:

THAT the acquisition of shares under the Buy-Back is in the best interests of the Company and is of benefit to the shareholders to whom the Buy-Back offer is not made.

THAT the terms of the Buy-Back and the consideration offered for the shares are fair and reasonable to the Company and the shareholders to whom the Buy-Back offer is not made.

4. INTERESTED DIRECTORS

Set out below is the nature and extent of Directors' relevant interests in Shares subject to the Buy-Back.

Name	Nature of the relevant interest	Shares held on the Record Date
Paul Hamish Ensor	Holder of more than 20% of the voting shares in Glenaan Station Limited	6,744
William Henry Sutherland	Registered holder with Andrew James Sutherland, and beneficial owner	20,000
Benjamin James Todhunter	Holder of more than 20% of the voting shares in Cleardale Station Limited	3,953

5. TERMS OF THE BUY-BACK

This disclosure document is provided to all Shareholders in accordance with the requirements set out in sections 61(5) and 62 of the Companies Act 1993. Following this disclosure, on 18 November 2020 (unless varied by the Board), an offer will be made to Eligible Shareholders on the terms set out below by notification through USX.

Buy-Back Price	\$3.80 for each Share in cash.
Key Dates	See the indicative timetable on page 1 of this disclosure document.
Conditions	See section 6 below.
Eligible Shareholders	The Buy-Back is available only to Eligible Shareholders, being Shareholders at 5:00pm on the Record Date with a registered address in New Zealand.
Participation	<p>Eligible Shareholders that choose to participate in the Buy-Back, must sell all of the Shares they hold on the Record Date. You cannot participate for only part of your shareholding.</p> <p>The number of Shares an Eligible Shareholder holds on the Record Date will be set out in a personalised letter or email sent to them (Record Letter).</p> <p>See the “Adjustment and verification” section below which will apply should your shareholding change after the Record Date and you choose to participate.</p>
NZM Discretion	<p>Only 20% of the gross proceeds from the Share Offer will be used to fund the Buy-Back. So if there are insufficient proceeds from the Share Offer or available subscribed capital to satisfy all Acceptances, then NZM may, at its sole discretion, accept or reject any Acceptance in part or in full. For the avoidance of doubt, to the extent there are insufficient funds to process a given Acceptance in full, NZM may reject that Acceptance in full.</p> <p>NZM may, but it is not obliged to, use existing funds or available subscribed capital to satisfy demand under the Buy-Back.</p>
Priority Acceptances of	<p>If an Eligible Shareholder submits an Acceptance Form under the Buy-Back and also submits an application form under the Share Offer, only the application form under the Share Offer will be accepted.</p> <p>Your Acceptance Form under the Buy-Back will be destroyed and no acquisition of your Shares will occur.</p>
Acceptance guaranteed not	Eligible Shareholders participating in the Buy-Back acknowledge that the ability of NZM to purchase Shares under the Buy-Back is constrained by the proceeds from the Share Offer or available subscribed capital, as NZM is not

	<p>obliged to commit any other funds towards the purchase of Shares under the Buy-Back. Eligible Shareholders further acknowledge that if there are insufficient funds or available subscribed capital, none of their Shares may be purchased by NZM at NZM's sole discretion (see the "NZM Discretion" section above). NZM is under no obligation to arrange sale of all or any of the Shares from Eligible Shareholders.</p> <p>To the maximum extent permitted by law, NZM disclaims any and all liability in relation to the matters in the preceding paragraph, or otherwise in any way relating to the Buy-Back. In that regard, Shareholders participating in the Buy-Back indemnify the NZM Group, its Directors, officers and agents against any losses, damages, costs, claims, expenses, liabilities, proceedings or demands (arising from their actions) which NZM incurs arising out of, or in connection to, in any way whatsoever, the Buy-Back.</p>
Adjustment and verification	<p>All Eligible Shareholders participating in the Buy-Back confirm when they submit an Acceptance Form to NZM that their shareholding has not changed since the Record Date as set out in the Record Letter. <u>A change in an Eligible Shareholder's shareholding may cause unintended tax consequences for NZM and Shareholders.</u></p> <p>However, if an Eligible Shareholder's circumstances have changed such that their shareholding would be higher or lower than that set out in their Record Letter, the Share Registrar should be contacted not later than 2 December 2020 by email at enquiries@linkmarketservices.co.nz.</p> <p>If an Eligible Shareholder's shareholding changes and they inform the Share Registrar or NZM learns of the change prior to 2 December 2020, NZM is entitled, but not obliged, to vary the number of Shares the Eligible Shareholder may sell to NZM under the Buy-Back to suit the new circumstances. In this regard, NZM has absolute discretion as to how to deal with the Acceptance, including amending the Acceptance Form or rejecting the Acceptance in part or in full. If NZM learns of the change after the Settlement Date, NZM will have no power to return the Shares purchased as they will have been cancelled. Therefore, those Eligible Shareholders will need to purchase Shares through USX or off-market if they wish to re-acquire Shares.</p> <p>NZM retains sole discretion, at any time on or before the Settlement Date and irrespective of whether an Acceptance Form has been submitted to it, to:</p> <ul style="list-style-type: none"> • amend or revoke any Record Letter where it considers that the Record Letter is incorrect; or • otherwise vary the number of Shares an Eligible Shareholder may sell under the Buy-Back, <p>and then to make any corresponding change to any Acceptance Form.</p>

Acceptances	<p>The Buy-Back may be withdrawn by NZM at any time before the Settlement Date, at NZM's sole discretion, including after receipt of any individual Acceptance. If the Buy-Back does not proceed, all Acceptance Forms will be destroyed, and no acquisition of Shares will occur.</p> <p>An Acceptance is an irrevocable acceptance by an Eligible Shareholder of an offer to be made by NZM on 18 November 2020 (or such later date as decided by the Board) to purchase the number of Shares specified in the Acceptance Form from the Eligible Shareholder, at the Buy-Back Price, on the terms and conditions set out in this disclosure document and the Acceptance Form. By submitting an Acceptance Form, you irrevocably agree to sell Shares on those terms, notwithstanding any variations or extensions to the Closing Date or other dates which NZM is entitled to so vary or extend. Shares transferred to NZM pursuant to the Buy-Back are transferred to NZM with all rights and entitlements existing as at, and arising after, the Settlement Date.</p> <p>NZM may, at its sole discretion, treat any Acceptance Form as valid, notwithstanding that it does not comply with the requirements above or is irregular. NZM may also, at its sole discretion, rectify any errors in, or omissions from, any Acceptance Form to enable that form to constitute a valid Acceptance of the Buy-Back, including inserting or correcting details and filling in any blanks. An Acceptance Form may be treated by NZM as a valid Acceptance whether or not it is received during the offer period, and may be accepted in respect of the full number of Shares specified in the Acceptance Form or a lesser amount. Any Acceptance which exceeds the number of Shares held on the Record Date by an Eligible Shareholder will be deemed to be an Acceptance in respect of that Eligible Shareholder's total shareholding. Receipt of your Acceptance Form after 18 November 2020 (but before the Closing Date, unless NZM determines otherwise) creates a binding contract.</p> <p>NZM reserves the right to refuse all or any part of any Acceptance without giving a reason and may do so at any time on or before the Settlement Date.</p> <p>See Section 7 below for further information on how to complete an Acceptance Form.</p>
Settlement	<p>Participating Eligible Shareholders will be paid on 21 December 2020 in respect of any Shares acquired by NZM.</p>

6. CONDITIONS OF THE BUY-BACK

The Buy-Back will be made subject to the following conditions:

- (a) The making of the Buy-Back offer on or about 18 November 2020 to be announced by NZM on the USX platform;

- (b) The Board being satisfied, as at 5:00pm on the Business Day before the Settlement Date and at its sole discretion, that each Eligible Shareholder participating in the Buy-Back will sell their entire shareholding;
- (c) That on and before the making of the Buy-Back offer on 18 November 2020, the Board remains satisfied that:
 - (i) the Buy-Back is in the best interests of NZM and of benefit to Shareholders that are not Eligible Shareholders;
 - (ii) the terms of the Buy-Back and the consideration offered for the Shares are fair and reasonable to NZM and to Shareholders that are not Eligible Shareholders; and
 - (iii) it is not aware of any information that will not be disclosed to Shareholders:
 - (aa) which is material to an assessment of the value of the Shares; and
 - (bb) as a result of which, the terms of the Buy-Back and the consideration offered for the Shares are unfair to the Eligible Shareholders accepting the Buy-Back;
- (d) The Share Offer successfully completing on the Settlement Date (unless extended by NZM); and
- (e) NZM, immediately after the purchase of any Shares pursuant to the Buy-Back, satisfying the solvency test (as defined in the Companies Act 1993).

In the event that any of these conditions are not satisfied in accordance with their terms, the Buy-Back will lapse and NZM will not purchase any Shares from any Eligible Shareholder pursuant to the Buy-Back.

7. HOW TO COMPLETE AN ACCEPTANCE FORM

To accept the Buy-Back offer once it is made Eligible Shareholders must:

- (a) **complete and sign** the Acceptance Form accompanying the Record Letter (in accordance with the instructions on that form – please note that where there are joint Shareholders, all or an authorised number of Shareholders must sign the Acceptance Form); **and**
- (b) **return to the Share Registrar** the completed and signed Acceptance Form by email or post so that they are received by Link Market Services Limited **by 5:00pm on 2 December 2020**, being the Closing Date, as follows:

Email: applications@linkmarketservices.co.nz, using “NZM Buy Back” as the email subject.

Post: Link Market Services Limited
PO Box 91976, Victoria Street West
Auckland 1142

Eligible Shareholders participating in the Buy-Back are not entitled to revoke their Acceptance once they have completed and signed the Acceptance Form and it is received by Link Market Services Limited at the above address.

Effect of Acceptance

All Eligible Shareholders accepting the Buy-Back offer once it is made:

- (a) warrant in respect of the Shares they wish to sell to NZM pursuant to the Buy-Back that they are the registered holders of those Shares, they are entitled to sell those Shares and that they have not made or granted any transfer or assignment of those Shares and that they are free from any Encumbrances. This means that participating Shareholders will not be able to trade or Encumber the Shares they have decided to sell to NZM;
- (b) will accept the terms of the Buy-Back as set out in this disclosure document (without modification) and the Acceptance Form including, in particular, that NZM is not obliged to purchase all or any of the Shares they indicated that they wish to sell to NZM under the Buy-Back; and
- (c) confirm that the Acceptance Form has been duly and validly completed and signed.

Payment and transfer

In respect of each Eligible Shareholder completing the Acceptance Form in accordance with this disclosure document and the instructions to the Acceptance Form, NZM will, if the Buy-Back becomes unconditional:

- (a) arrange for the transfer to NZM and cancellation of all or a portion of the Shares they indicated they wished to sell and which NZM decides to purchase under the Buy-Back; and
- (b) on the Settlement Date credit their bank account directly in accordance with the direct credit instructions provided to NZM in the Acceptance Form, in the sum payable for the Shares purchased by NZM pursuant to the Buy-Back.

NZM reserves the right to treat any Acceptance as being valid even if it does not comply with all requirements under this disclosure document or the Acceptance Form but in every such case payment of the Buy-Back Price may be delayed until such time as NZM is satisfied with or has been provided with the requirements that are missing.

8. TAXATION EFFECTS OF THE BUY-BACK

The below tax summary is general and explanatory in nature and does not constitute legal, tax or financial product advice. The tax summary is based on New Zealand tax law as at the date of this disclosure document.

Eligible Shareholders should seek independent tax advice to determine the impact of the Buy-Back to them, including advice on whether any proceeds received on the sale of Shares might be taxable to them, due to their own individual tax position.

NZM intends to offer a liquidity opportunity to existing Eligible Shareholders, to exit their full investment in NZM.

The Buy-Back will be offered to existing Shareholders of NZM, with a registered address in New Zealand on the Record Date and who have not participated in the Share Offer.

The offer is made to participate in the Buy-Back only in respect of the Eligible Shareholder's entire shareholding on the Record Date.

The Buy-Back will be not be treated as a dividend to Eligible Shareholders:

- to the extent that there is sufficient available subscribed capital (ASC), and
- the Eligible Shareholder suffers at least a "fifteen percent interest reduction" in their total voting interests in NZM, and
- the Buy-Back is not in part or whole, in lieu of the payment of a dividend.

On the basis that the:

- funds from the Share Offer exceed the funds payable under the Buy-Back, and
- Eligible Shareholder has their entire shareholding bought back, and
- Buy-Back is one-off in nature and its purpose is to align its Shareholder base with NZM's core business activities,

the Buy-Back should not be treated as a dividend to Shareholders.

For an Eligible Shareholder whose shareholding is being bought back in part (i.e. not in full as proposed under the Buy-Back), provided that that Eligible Shareholder's shareholding in NZM (including that of any associated persons) is reduced by at least fifteen percent compared to the Eligible Shareholder's shareholding (including that of any associated persons) immediately prior to the Buy-Back, the Buy-Back should not be treated as a dividend to that Eligible Shareholder.

In the event that the fifteen percent interest reduction test noted above is not met, NZM reserves the right to exercise its discretion to accept or reject any acceptance of the Buy-Back by an Eligible Shareholder, in full or in part, so that a taxable dividend does not arise to Eligible Shareholders, from the Buy-Back.

Amounts received by Eligible Shareholders from the sale of Shares to NZM under the Buy-Back should be treated for tax purposes in the same manner as if Eligible Shareholders had sold shares to third parties. Accordingly, Eligible Shareholders will generally not be subject to income tax on those amounts, unless they acquired the Shares for the purposes of disposal, carry on the business of dealing in securities or investments and sold the Shares to NZM in the course of carrying on that business, or otherwise hold the Shares on revenue account.

The Buy-Back should not give rise to taxable income to NZM.

As the Buy-Back of Shares should not be treated as a dividend for tax purposes, NZM will not attach imputation credits to, or withhold resident or non-resident withholding tax from, the proceeds in respect of Shares bought-back.

9. OTHER MATERIAL INFORMATION

On or about the time of distribution of this disclosure document, a copy of the Product Disclosure Statement (**PDS**) relating to the Share Offer was given to persons eligible to participate in it. The issuer of the Shares under the Share Offer is NZM.

To ensure that all Shareholders have equal access to all material information concerning the NZM Group, a copy of the PDS is available on a website operated by

the Share Registrar: www.nzmcshareoffer.co.nz, as well as on the Disclose Register website: (<https://disclose-register.companiesoffice.govt.nz/>), offer number: OFR12964, which contains additional material information together with a summary of Northington Partners' valuation report.

You are encouraged to read the PDS and the Disclose Register entry for the Share Offer as they contain in-depth information concerning NZM Group and may assist Eligible Shareholders in deciding whether or not to participate in the Buy-Back.

10. **PRIVACY POLICY**

Shareholders participating in the Buy-Back will be asked to provide personal information (as set out in the Acceptance Form) to NZM, the Share Registrar and their respective agents who will collect and hold the personal information provided in connection with an Acceptance.

Personal information of Shareholders participating in the Buy-Back will be used:

- (a) for considering, processing and corresponding with Shareholders participating in the Buy-Back about their Acceptance;
- (b) in connection with their holding of Shares, including sending them information concerning NZM, their Shares and other matters NZM considers may be of interest to Shareholders by virtue of their holding of Shares; and
- (c) for conducting an audit or review of the activities contemplated above.

To do these things, NZM or the Share Registrar may disclose personal information of Shareholders participating in the Buy-Back to:

- (a) each other;
- (b) their respective related companies; and
- (c) agents, contractors or third party service providers (including auditors) to whom they outsource services such as mailing and registry functions. However, all of these parties will be bound by equivalent privacy policies used by NZM and the Share Registrar.

In addition, as payment for Shares will be made by a one-time direct credit, the Share Registrar will communicate with participating Shareholders' nominated banks (including providing their personal information) for the purposes of processing the payment to them. Failure to provide the required personal information may mean that their Acceptance Form is not able to be processed efficiently, if at all.

Where NZM and the Share Registrar hold personal information about an Eligible Shareholder in such a way that it can be readily retrieved, they have a right to obtain from NZM and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 (and from 1 December 2020, the Privacy Act 2020) by contacting the privacy officers of NZM at shares@nzmerino.co.nz, and the Share Registrar at enquiries@linkmarketservices.co.nz.

You can also access your information on the Share Registrar's website at: www.linkmarketservices.co.nz.

11. GLOSSARY

The following terms used in this disclosure document, including the Acceptance Form, have the meanings assigned to them below:

Acceptance	An acceptance of NZM's offer to purchase Shares under the Buy-Back once the offer is made.
Acceptance Form	The Acceptance Form accompanying a Record Letter to sell Shares to NZM under the Buy-Back.
AML/CFT	Anti-money laundering and counter financing of terrorism.
Board or Board of Directors	The board of directors of NZM.
Business Day	Has the same meaning as 'working day' under the Companies Act 1993.
Buy-Back	The acquisition by NZM of Shares from Eligible Shareholders under a Buy-Back offer to be made on or about 18 November 2020 (or such later date as the Board may elect) and on the terms of this disclosure document.
Buy-Back Price	\$3.80 per Share.
Closing Date	2 December 2020.
Constitution	The constitution of NZM.
Director	A director of NZM.
Eligible Shareholder	A Shareholder on the Record Date with a registered address in New Zealand.
Encumbrance	Any security interest (within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and any option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement or other arrangement of any kind that secures payment or performance of an obligation and any agreement to create any of the foregoing.
Glossary	This glossary of key terms.
Grower	A person engaged, in New Zealand, in the business of farming sheep, whether in conjunction with another business or not, who is able to be classified as a Merino Wool Grower and/or a Mid-Micron Wool Grower (as defined in the Constitution).
NZD or NZ\$ or \$	New Zealand Dollar.
NZM	The New Zealand Merino Company Limited.
NZM Group	NZM, Alpine Origin Merino Limited, Glerups New Zealand Limited, and NZM's subsidiaries (as defined in the Companies Act 1993) as at the date of this disclosure document.
PDS	The Product Disclosure Statement in respect of the Share Offer, dated 23 October 2020.
Record Date	25 September 2020.

Record Letter	Has the same meaning as in section 5 of this disclosure document under “Participation”.
Settlement Date	21 December 2020.
Share	Ordinary shares in NZM.
Shareholder	The holder of a Share.
Share Offer	The rights issue of Shares by NZM to all existing New Zealand resident Shareholders and the shortfall offer to unshared Growers supplying NZM (provided they are not controlled by Shareholders) and employees and Directors of NZM together with certain new investors on the terms of the PDS.
Share Registrar	Link Market Services Limited.
Unlisted or USX	The share trading platform operated by Efficient Market Services Limited.