



20 August 2018

Dear [REDACTED]

As you would be aware, Ernst & Young (EY) recently released the final report of AWI's review of performance containing a total of 82 recommendations covering a wide range of areas across Australian Wool Innovation's (AWI) governance and operations.

Since receiving the final report, the AWI Board has held two additional meetings to review all the recommendations. The vast majority of the recommendations have been accepted, and implementation on many has already commenced.

I can convey that the mood of the Board is to embrace this ROP and adopt as much of it as practically possible, as quickly as possible and where needed seek advice on matters that they believe may be contentious amongst the shareholder/levy payers or fundamentally change the DNA of the company.

We also have some concerns that have been expressed to us, as well as the Department of Agriculture Water and Resources (DAWR) around the confusion that will be caused with the AGM and WoolPoll simultaneously being debated, WoolPoll - 2/11/18 and the AGM - 23/11/18.

Our first priority is to fund the company and after receiving media advice the board are keen to get clear air for WoolPoll and then present the constitutional issues/recommendations to shareholders at an EGM in the new year which will allow the matter to be dealt with and provide clarity in ample time for the director election - AGM in November 2019.

There are a handful of recommendations (9) that Herbert Smith Freehills our Corporate Lawyers believe affect these things. While the Board has been elected to make strategic decisions, we strongly believe the impact of some these changes should be put to shareholders, as the power to direct the company lies in their hands. This has always been a fundamental principle within the industry and one the Board respects and is committed to uphold.

As such, we are planning to put the outstanding recommendations to an Extraordinary General Meeting (EGM) early next year. The rationale behind convening an EGM is to allow sufficient time to communicate and inform shareholders of these recommendations, providing sufficient time for consultation and discussion.

Before any decision is finalised however, the Board would like to seek your organisations' position one way or the other, regarding our intention to convene an EGM early in 2019.

We would welcome any feedback from your organisation by Wednesday, 29 August 2018.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'W. Merriman', with a small flourish at the end.

Wal Merriman
Chairman