

BRIAN VAN ROOYEN, CHAIRMAN, AWI: Ladies and gentlemen, can you please take your seats. Ladies and gentlemen, if you can take your seats so we can start, please. Welcome to the 7th Annual General Meeting of shareholders of Australian Wool Innovation Limited. It is past the appointed time of 2 pm and as chairman I declare a quorum is present and this Annual General Meeting is open. I request that everyone present register their attendance with the Link Market Services staff outside the entrance door. If you have not yet registered, would you please do so now.

As is the usual practice at the company's Annual General Meeting, these proceedings are being sound and video recorded. I ask for your cooperation and request that you turn off your mobile phones for the duration of this meeting. Thank you.

In line with past practice of the company, as the last Annual General Meeting was held in Victoria, this Annual General Meeting is being held on rotation in Western Australia. Your Board has decided that, as part of our cost cutting program, all future AGMs will be held in Sydney.

I am Brian van Rooyen, the Chairman of AWI and I would like to introduce to you the directors of Australian Wool Innovation who are seated on the stage with me. From my left, your right, Mr Chick Olsson, Mr Ken Boundy, Dr Chris Abell, Ms Robyn Clubb, the CEO, Mr Craig Welsh, Dr Kevin Bell, Mr Wal Merriman, Dr John Keniry and Mr Roger Fletcher. Seated at the table to my right against the wall are the company secretaries, Liz Targ, Sally Palmer and Chris Chapman and with them is Mr James Barry, AWI's general manager finance and the company's external auditor John Gordon, a partner of Price Waterhouse Coopers who will be available to answer questions at the appropriate time during the meeting. Also attending is the company's external legal advisor David Somerville, a partner of Blake Dawson.

The notice of meeting was sent to all shareholders and will be taken as read.

The minutes of the previous Annual General Meeting of shareholders of Australian Wool Innovation Limited, which was the AGM held at the Kardinia Heights Centre, corner Anakie and Ballarat Roads, Bell Post Hill, Victoria on 14 November 2007 were approved by the Board and signed by the former Chairman, Ian McLachlan in accordance with the provisions of the Corporations Act. The original minutes are tabled by the company secretaries and there are copies of those minutes available for inspection should any shareholder wish to see them.

I now ask Mr Leigh Bull of Link Market Services to report to you on the proxies received.

LEIGH BULL, LINK MARKET SERVICES: I can report that the number of appointment of proxy forms received at the registered office of the company or the share registry of the company including those received online and by fax by 2 pm Australian western daylight saving time and 4 pm Australian eastern daylight saving time on Monday 17 November 2008 was 5,567. The number of proxy forms received after that time was 94. Of the proxies received by the required deadline on Monday 17 November the number of valid proxy forms was 5,545, leaving the number of invalid proxy forms being 22. The major reason for the invalid proxy forms were that those forms were not signed. Those proxy forms received after the deadline on Monday 17 November 2008 were ruled invalid as under the constitution of the company they were received too late. Thank you, Chairman.

CHAIRMAN: Thank you, Leigh. At this early stage in this meeting I would like to clarify several matters. The CEO and I will take shareholders' comments and answer shareholders' questions if relevant to the meeting agenda. In accordance with past practice and normal procedure at a public company AGM please keep your questions and comments regarding the financial reports of the company until after the presentation from the CEO.

As in the past there have been a large number of questions I would ask shareholders to ask one question only until all other shareholders who want to have an opportunity to ask a question. I would ask that any other questions that are relevant to any other item on the meeting agenda be put during the discussion of that item.

As this is the AGM of shareholders of Australian Wool Innovation Limited and in accordance with past practice, only those shareholders holding yellow or blue cards can ask questions, so to assist me in the conduct of the meeting when you wish to ask a question please proceed to the microphone nearest to you, advise your name and show your coloured card to the AWI officer at the microphone. When invited to do so the AWI officer will announce your name to the meeting and I will then invite you to ask your question or make your comment.

Shareholders entitled to ask questions and make statements are asked to keep their contributions concise and relevant to the motion under discussion. I would be grateful if each speaker limits themselves to a maximum of one minute.

If a shareholder wishes to raise a point of order as to any matter of procedure during this meeting, please proceed to the microphone nearest to you, advise your name and show your coloured card to the AWI officer. When invited to do so the AWI officer will announce your name to the meeting and then I will invite you to raise your point of order.

After the AWI officer introduces you please clearly make your point of order. If a point of order is made while another shareholder has the floor I will ask that shareholder to resume their seat until point of order has been dealt with.

Any question then under consideration will be suspended until I have made a determination on that point.

In accordance with rule 11.5 of the company's constitution I as Chairman have the power to make a final ruling on any point of order raised by a shareholder.

Under rule 11.1 of the company's constitution, no person may move at any meeting any resolution or amendment to a resolution that is not in the notice of meeting except with the approval of the Board or if the Chairman permits it or it is required under the Corporations Law. I ask that this rule be noted by all shareholders.

Only those shareholders and proxy holders holding a yellow voting card can vote at this meeting. Although 10 candidates are standing for election to the office of director there are only five positions available. Therefore in accordance with rule 7 of the rules and procedures for the election of directors, published in accordance with rule 13.3 (e) of the AWI constitution, I will be calling for a poll for each of the 10 motions.

As a poll will be called on each motion I advise you that the voting instructions for proxy holders and shareholders are on the front of the yellow voting card. These instructions will be read out by the returning officer at the appropriate time. I will not direct you to hand in your completed voting card until after all 10 motions have been considered and debated.

Before I move on we ask shareholders for any questions relating to the company's activities and my presentation and Craig Welsh's will cover many of the issues raised. No doubt your questions from the floor will cover a few more. I will now deliver my Chairman's address.

This is a difficult time for the Australian wool industry, the Australian economy and our international retailers in a global economy facing recession in many important markets.

The one issue on everyone's mind is what the downturn in the global economy will mean for our wool growing businesses. I can say to you that orders are down, credit is tight, stocks are low and the international retailers are looking for value.

As an example in the UK alone retailers are bracing for the most difficult autumn/winter and festive season on record. Already Christmas stocks have been reduced in anticipation of that down turn. Fears of imminent job losses, coupled with difficulties in the housing market, the spectre of negative equity, inflation and the banking crisis all fuel the feeling of unease amongst consumers.

In the fashion business it is the bulk middle market that is set to suffer the most as middle-class shoppers either refrain from buying or trade down.

It's not the sort of news we wanted to hear, but it emphasises the importance of our global marketing strategy.

I remain firmly optimistic about the long-term future of our industry. The Board has unanimously approved the strategic plan including a \$120 million dollar global marketing plan over three years, which I believe will underpin woolgrower's confidence in the future of this industry, as well as the confidence of our pipeline partners as was demonstrated overwhelmingly at the IWTO conference in Italy two weeks ago. This meeting represented all sectors of the wool pipeline from top makers, spinners, weavers, knitters and retailers who for the first time in many years fully supported the new AWI marketing strategy which I believe will significantly grow demand for Australian merino wool in the future.

Your company now has the marketing of Australian wool under its direction, something it has not had control of until the takeover of The Woolmark Company.

The new AWI marketing model which you've heard a lot of this morning is very much focused on the business to business approach which is selling in new innovations and marketing support to our key retailers and brands overseas, rather than marketing and advertising directly to the consumer.

All of the above activity came about through careful planning and research, the takeover of The Woolmark Company and the business model which this Board and management has put in place. The message the brands and retailers are giving us is that merino fibre is in demand from their customers. They want what we have to sell, but they want it ethically produced.

I need to clarify one issue in this regard. AWI did not make the commitment to phase out mulesing, the industry did, represented by the leaders of all woolgrower organisations. We were instructed to find alternatives to the practice of mulesing, something we have been working on for four years. Ultimately the politics behind this issue will be overtaken by the market if it hasn't already been. Customers will decide what they want. Wool growers can and will decide how best to protect their animals and market forces will dictate what rewards wool growers will get from whichever system of annual welfare they will choose to adopt.

Of course AWI is unique in that it is involved in the production of wool from the farm gate to the retail outlets. Much of our most important work is done face-to-face across Australia with people in the industry.

AWI is committed to on farm development. Wool growers, shearing contractors and those who make up the shearing teams were the focus of numerous AWI workshops during the past year.

I am on record as saying Australian wool growers need at least 1,000 cents per kilogram clean to make their businesses operate profitably and allow them to invest for the future. This is the message that I have been taking with me when I talk with our customers. This is now a bigger challenge than ever before. I was recently in Italy and the very strong message was we must work together and build demand.

Importantly wool growers need to know if they make less money so does AWI and we have less to invest on your behalf. We are going through the same process as you are, living within our means and making sure that we get the most of every dollar.

In response to the form sent to all shareholders with their AGM papers over 200 shareholders have forwarded questions to the Board. Every shareholder who has sent a question will get a written response from the company in the next few weeks.

The four major issues of concern appear to be:

1. Why has the company spent so much money on producing a glossy annual report booklet and how much did it cost.

I have had phone calls from growers saying that they've been told that this cost upwards of \$1 million. Well, I can assure you, ladies and gentlemen, that's absolute nonsense. This year's annual report, including printing costs, of \$59,000 cost us \$114,000 and that included getting it into your hands, so this is as much a marketing tool for the company as it is information for shareholders, and whilst the Board have instructed management for next year to see if we can use cheaper paper and get more cost out of it I must advise you that this year's cost is already some 35 per cent down on the cost of last year's report.

The second question that seemed to dominate the questions that were sent in by shareholders was concerning PETA.

2. Why the litigation? What was the real cost? Why did AWI give in to PETA? Why doesn't AWI explain the need for mulesing to PETA?

Well, first all the litigation cost, between December '04 and July '07, was \$3.7 million, not

the 9, 10, 11 million that I've heard spoken about outside. The actual cost which included lawyers, barristers, expert witnesses, discovery service providers totalled 3.7 million in that period. As to the question of why did we do it it's interesting to note that during that period, whether you agree with it or not, the activity from PETA at that time was at the lowest it's been since 2004 and it's also interesting to note that the EMI in that period rose from 650 to nearly \$10. It's coincidental perhaps that since the law effort was ceased PETA's activity has increased, but I'll leave it to you to make your judgment on that. The reality is that we do face an issue with animal rights movements and they have to be addressed one way or another.

The other question we got is:

3. What is AWI doing to ensure growers are going to get a fair price for their wool?

There were a lot of questions in this area and this morning those of you who were here would have heard about the marketing efforts, the branding strategy that's been adopted to increase demand and increase price for wool. This is going to be even more critical at a time of markets under pressure, consumers under pressure and it's critical for Australian merino wool to recapture market share back from those other fibres who have increasingly taken our share of the world's fine apparel market, and it actually goes even into medium micron areas. We have to get back those markets, we have to get back a share of those markets and I firmly believe that even in difficult economic times with the products and innovations that we have and that you have seen today we can recapture market share in a number of crucial markets and areas and get the volume up which in turn will drive price.

The fourth series of questions we got from growers was:

4. Why can't growers buy AWI wool products locally?

We get this at every forum we go to and I can understand shareholders' frustrations but the key activity to us is to drive demand and therefore obviously we do attack the markets in the northern hemisphere where we can get the most value for our dollars of marketing effort. However, our innovations developed in any one year are available in Australian stores the following season, so examples of last year's innovations that were tabled at the AGM are on display at the tables downstairs and are now available in Australian stores such as Lacoste, David Jones, Country Road and North Face.

The mannequin display downstairs highlights some of our innovations for this year and these will be available in Australian stores next season and we will advise shareholders on their availability and where they can buy them in the Beyond the Bale as soon as that becomes available.

In closing, I would like to acknowledge the tremendous work of my predecessor, Ian McLachlan, who was Chairman of the Board from 2002 until April of this year. Ian is and always has been passionate and committed to the wool industry. He has demonstrated this through his involvement as President of Wool Producers from 1980 to 1984, director of Elders Limited from 1980 to 1990, President of the National Farmers' Federation from 1984 to 1988 and Chairman of the Australian Wool Industry Future Directions Task Force in 1999. He has, remains and will always be passionate about the industry, and, of course, will always have strong and forceful views about which way we should be going.

Finally to the management and staff of AWI my sincere thanks, the integration of the Woolmark Company operations into AWI has occurred in large part to each and every one of you. So, ladies and gentlemen, I'll conclude where I began. I am optimistic about AWI and about our industry despite the difficult economic times we all face. These conditions increase the need for all of us to work harder and smarter to ensure that we get better results for our shareholders. We have the right business model. We have the right marketing plan. We have the right strategic plan and we have the right people around the globe to grow demand for Australian wool. AWI needs to achieve continued new demand for Australian wool so that wool growers can achieve better prices which will enable them to invest in their family farming industries. We need to continue to work with our customers, with the right innovations, product development and marketing, so that Australian wool can regain market share in these difficult economic times. We must look to the next three years and work together. We can do it together. Thank you.

I now invite your questions and comments on my report. As I said earlier, those people holding yellow or blue cards may ask questions or make comments at this point. So please proceed to the microphone nearest to you, advise your name to the staff member at that microphone and when invited to do so the AWI officer will introduce your name to the meeting and I will then invite you to clearly state your question or comment to me as Chairman. It is essential that everyone hears your question or comment. Thank you.

JIM KENNEDY, SHAREHOLDER, VICTORIA: Thank you, Brian. Thank you, Chairman. This is a question to yourself. One of your more productive Board members who is subject to re-election at this AGM has I believe been unreasonably and unfairly criticised by a small minority of shareholders, presumably to enhance the chances of alternative directors. As a shareholder and woolgrower I wish to extend my thanks to Dr Chris Abell for his exceptional and practical, positive contribution regardless of the Board election outcome.

My experience from using the breach and tail clips on all my merino lambs met and exceeded my expectations. Being a Western District Victorian producer I can't see why my experience would not be replicated in similar environments. We are in debt to Dr Chris Abell who with assistance brought the alternative to a commercial reality and I believe his input should be acknowledged at this meeting. I also believe the intellectual property and other rights were donated by Dr Abell to the wool industry. Can you confirm my understanding?

CHAIRMAN: Thank you for that lengthy comment. The question is right at the tail. Yes, I can confirm that Dr Abell donated all intellectual property associated with his developments in the area of mulesing replacement to AWI. Thank you for that question. Microphone 4.

JEFF FISKIN, SHAREHOLDER, VICTORIA: Thank you, Chairman. We have seen some good presentations in regard to the re-launch of the Woolmark. I was wondering if you could assure shareholders that the purchase of Woolmark is bedded down and that all the legal and accounting issue details have been completed? Thank you.

CHAIRMAN: I cannot assure shareholders of that because the legal issues and final accounting issues remain unresolved. There are a number of outstanding issues which we are addressing in cooperation with growers - Graziers Investment Corporation as they are now known and they are of concern in some areas where there are some tax issues that have now been outstanding for some considerable period of time, but we are - both companies are well

aware of the issues and both companies are now trying to get these issues resolved.

It is somewhat frustrating that it is 14 months after the event when the completion agreement actually envisaged that most of these would be settled somewhat earlier, but there is a lot of work and a lot of ground that has to be covered here. The areas of real concern here obviously relate to tax issues, historical tax issues which we're endeavouring or we are in GIC's hands to have outstanding tax issues brought up to date. But there is cooperation between the companies and I believe that we will resolve these outstanding issues amicably. Microphone 4: Hold on a second, can you get the staff member to take your details and introduce you.

**KEN PECK, SHAREHOLDER, WESTERN AUSTRALIA:** Thank you, Mr Chairman from Noangrupp in Western Australia. Mr Chairman, my question is to you and to the Board. Once this election has been done and dusted can we have some assurance from all those that get elected that the infighting is going to cease and that you concentrate on the job at hand of promoting the wool industry in a positive way? Thank you.

**CHAIRMAN:** Well, obviously I cannot answer yet to that question because we don't know yet who is going to be elected. However, I'd like to make a couple of points. Obviously the disagreements amongst the Board have had major headlines, but 95 per cent of the work of the Board actually proceeds very smoothly. This is not a dysfunctional Board, not withstanding what some politicians may wish to portray. We have approved a new strategic plan unanimously signed off by the Board. The operational plan was unanimously signed off by the Board, the cost cutting program which was brought to the Board by management was debated, discussed and unanimously agreed upon by the Board. A dysfunctional Board could not do that.

There are some areas of conflict which have created stress and they have been publicly highlighted, but I want to stress again for 95 per cent of the Board's activities decisions are made unanimously and the business gets on with the business that we need to get on with and that is marketing and research and development so that we can improve the lot of wool growers. Clearly, however, it would be far better if those disagreements were not aired publicly and were kept within the Board room, but the reality is there are some issues which are of significance and I'm not going to go into them here and now.

The key issue is, however, the important issues are resolved and management clearly directed get on with the job of selling more wool, increasing demand and I trust whoever is elected will focus on that, because at the end of the day if we don't increase demand for wool we will not increase the price for growers, and I'm sure that's what each and every one of you here today want, so thank you for the question.

**KEN PECK:** Thank you, Chairman.

**CHAIRMAN:** Microphone 4. Just before you start, for the benefit of shareholders you can go to any microphone. You don't all have to queue at number 4.

**MICHAEL GRAY, SHAREHOLDER, WESTERN AUSTRALIA:** Yes, Mr Chairman. I'm just disappointed that Brenda McGahan isn't a part of AWI and I would just like you to give an explanation as to what were the circumstances in which she isn't. I have no background at all. My involvement with Brenda was through WA Farmers, I thought every time she came

over and gave us a presentation she was actually talking what you were earlier speaking today. She was doing that 18 months ago. I thought she had drive. I thought she had passion, energy and I thought she would have been an ideal fit into this Board going forward and - sorry, this company going forward. I'd like an explanation as to why she isn't here at the moment.

CHAIRMAN: Thank you. There's quite a simple explanation for that. In terms of our agreement with then AWS, now GIC we were precluded from speaking to their senior staff. It was absolutely unequivocal, we could not approach their senior staff under any circumstances. At the time that we could Brenda and AWS had already reached an agreement to separate and that had nothing to do with us, so from a practical point of view we were precluded, and in fact we were precluded from all staff up until a certain period and senior staff for a period thereafter so the reality of it is there was a restriction on us, but I do want to point out to you, however, whilst I admire Brenda and I agree with those qualities you've enunciated there's no question about it that we have today staff that are very capable and are in fact and have developed a plan that I believe will take Australian merino wool to greater heights in the future, so I don't think we should decry the plans that you have seen today that have been developed since we have taken over the Woolmark company. Those plans have been accompanied by the most thorough research that this industry has conducted probably for the last 30 years. They are very robust, very well founded, they've been thoroughly crawled over by major marketing companies overseas and our people internally have spent a lot of time ensuring that we get the best strategy for growers so that we can increase demand for you, so thank you for your question.

MARTIN OPENHEIMER, SHAREHOLDER, NEW SOUTH WALES: Mr Chairman, I just as an aside comment to the previous speaker, I would agree entirely with what he said about Brenda McGahan and of all the people that have been involved in the wool industry recently she is one of those rare people who have the ability to connect not only with wool growers and excite them, give them confidence, but also do the same with retailers, so she was a great loss.

The question I have, Mr Chairman, I know you pride yourself on corporate governance standards and you've mentioned, or several people have mentioned in the media, about leaks. I'd just like to ask you the question with the recent senate hearings in Canberra who authorised you to table confidential Board minutes to the Senate Estimates Committee?

CHAIRMAN: Thank you for that question. I invite you to read the rules and procedures of the senate committees which is quite explicit and was published as a result of rules developed on 25 February 1988. Those rules state inter alia that a witness who gives evidence and who has documents must table those documents if requested. I quoted from Board minutes to provide factual responses to questions that I was asked by senators. I did not solicit those questions, I did not want to be there, quite frankly, because I knew that this whole senate estimate inquiry was set up to try to damage or embarrass the company and the industry. The questions have to be answered factually, I did so. I was invited and requested by the Chairman of the committee and four other senators to table the papers from which I quoted. If I had not done so they would have subpoenaed them and under their rules and procedures those documents have to be made available and they were. Next question. Microphone 3.

LEN SIMMONDS, SHAREHOLDER, WESTERN AUSTRALIA: I'm involved in the shearing industry and I've been involved in the shearing industry for 44 years, I'm also a

woolgrower, produce around 100 bales of wool per year. The shear training that you've got going at the moment to me is a complete waste of time. If I was to hand you a hand piece and send you to a shearer training school for two weeks what would you learn? Virtually nothing. The number of young people that go to shearer training for two weeks there's only about 10 per cent of those that continue on in the shearing industry which to me is a big waste of levy paid money.

If you trained about 25 per cent of those people that went in for a minimum of three months you may be spending money in a very good direction. I have a lot to do with the shearing competitions and very very few of those young people that go to the training come along to the competitions and explain the same thing, and also the older shearers that come along to the shearing competitions some of those do the training and they are explaining exactly the same things, so I think that the Wool Innovation has got to look into this, very closely. Thank you.

CHAIRMAN: Thank you for that comment. I'm not going to go into a detailed response to that, but what I will do is ask a staff member to contact you immediately we break, get your details and we will follow that up with you. I mean, clearly this is a very important area for growers and it's an area that we do invest a lot of money in, so if there this is an issue we need to address that and we certainly will do so and I'll have somebody speak to you as soon as we break, thank you.

MAX WATTS, SHAREHOLDER, WESTERN AUSTRALIA: Thanks, Chairman. Just wondering if you'd be able to enlighten us on the leverage of funding of your investment in the shearing industry and what you've been able to obtain through traineeships across Australia in the four years.

CHAIRMAN: Max, that is a real question for me. I don't have that information available. The person sitting right next to you does have the answer, so if you'll hand her the microphone she will give you the answer.

LU HOGAN, GM WOOL PRODUCTION: Thanks very much, Chairman. AWI funds have been leveraged with \$3.29 of Federal and State government funds, so for every AWI dollar that we have spent in training we have got \$3.29 from the Federal and State governments and we also have in the order of 600 traineeships now operating in the shearing industry in addition to the training programs that the previous question was related to and I'll follow up on that one later.

CHAIRMAN: Thank you. Thanks, Max. Microphone 1.

GEORGE WARD, SHAREHOLDER, NEW SOUTH WALES: Mr Chairman, first of all I'd like to pay my complements to Ian McLachlan. He put this Board together and did a wonderful job and I think all wool growers should appreciate that. Secondly I made comment here that over the years I've given shearers and it's only about one in four that ever stays. I think we have to look at this all the way. Now, at Armidale University, I'm close there and I think there's about 30 per cent of the people drop out in their first year in their course. At the end of the first semester you'll find that there's plenty of accommodation from there on and that's the only way you'll get people in. If it's one in four or whatever it is you've got somebody. If you don't put it on at all you don't get anybody. Thank you.

CHAIRMAN: Thank you, George. Again, we will take that on board. Any other questions?  
If not we will now move on.