

HON WARREN TRUSS MP
Minister for Agriculture, Fisheries and Forestry

The Hon Ian McLachlan AO
Chairman
Australian Wool Innovation
GPO Box 4177
SYDNEY NSW 2000

18 NOV 2002

Dear Mr ~~McLachlan~~ Ian,

I am writing to congratulate you on your recent election to the Chairmanship of Australian Wool Innovation Ltd. I would also be grateful if you could pass on my congratulations to the other successful Board members. I look forward to a productive relationship and hope that the wool industry can now enter a more settled period with AWI concentrating on its task of promoting innovation across the industry.

During the course of the election process I noted that you made it clear that you were keen to improve AWI's corporate governance arrangements. In this regard I am happy to provide you with a copy of a recent report dealing with corporate governance of companies and statutory authorities associated with my portfolio.

This review, conducted by the national law firm Mallesons Stephen Jaques, and led by Mr Stephen Skehill, a former Secretary of the Attorney-General's Department, provided a generally favourable view of AFFA's corporate governance arrangements but made a number of recommendations to fine-tune certain aspects as well as promote best practice in governance. I believe this report would be a useful starting point for your new Board.

On another matter, I understand the AFFA Secretary, Mr Michael Taylor, recently wrote to AWI's Managing Director, Mr Col Dorber about AWI's reported \$500,000 donation to the Farmhand Foundation. As you would appreciate, the Statutory Funding Agreement between AWI and the Commonwealth clearly sets out the activities in which AWI can spend funds and I am particularly interested in how such a donation meets the requirements of the Agreement. I would appreciate it if your Board could consider this matter and provide me with its advice.

Yours sincerely

WARREN TRUSS



2002 Year of the Outback

australian wool

limited

*Owned by
and working for
Australian wool
producers*

22 November 2002

The Hon Warren Truss MP
Minister for Agriculture, Fisheries and Forestry
Parliament House
CANBERRA ACT 2601

Dear Minister

Thank you for your letter of 18th November, received today. I will pass on your congratulations to the other Board Members.

I am also confident that the wool industry will enter into a settled period with AWI, as you say, promoting innovation across the industry.

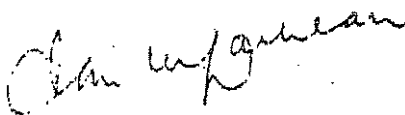
I will read with interest the corporate governance review conducted by Mallesons Stephen Jaques, and will make sure that my Board Members are well-aware of it, but point out that it was on these issues that we felt strongly, and, in fact, based our campaign for seats on the Board.

In regard to the matter of the AWI donation to the Farmhand Foundation, you will appreciate that this occurred some few days before our election. We are therefore in the process of examining the facts that, until now, have been to some extent based on hearsay. In any case, I know that Mr Dorber has arranged for the return of the donation, and I will make sure that any such donation - or anything remotely similar will not be made in the future.

You may be assured that the levy funds raised on behalf of wool farmers will be used strictly in accordance with the Statutory Funding Agreement between AWI and the Commonwealth.

Once again, my thanks for your letter.

Yours sincerely



Ian McLachlan AO
Chairman