QWOOL

ACN 651 496 150

Project Description and Initial Business Plan

Issued November 2022

Beyond Greasy

Value Adding for Queensland's Wool

Chairman's Statement

Mr John Abbott AM

B.Eng., LLB., CPEng., RPEQ, Int'l PE (Aust), APEC Eng., FIEAust, MAICD

To QWool future game changing investors,

It is not often that you see a project that is a game changing opportunity to change the course of an iconic industry. This is one such opportunity!

For more than 100 years the wool industry was an economic miracle, giving Australia one of the highest living standards in the world. The Australian economy boomed on the national income from wool exports. It is a common expression, looking back to the 1950's and 1960's that Australia "rode on the sheep's back". Now is the time for the wool industry to regain its economic strength in Regional Australia and make its contribution to the National economy.

Exporting greasy wool without any value-add in Australia is not the pathway to achieve this objective. We must bring wool processing back to Australia! Queensland Wool Processors Pty Ltd (QWool) is the vehicle to achieve this game changing objective. We will be able to reduce the costs to our customer by substantially simplifying the logistics chain. We will be able to guarantee that these customers are getting pure and unadulterated Australian Fine merino wool. We will also reduce the risk of market disruption that could potentially arise because 85% of Australian wool is processed in China! These are all compelling reasons for change!

QWool has made significant progress over the last 12 months in developing this project. We have completed a design for the plant, and now have a binding hold on the proposed site in Blackall, Western Queensland. This site includes the all-important water allocation required for our successful operation. The Queensland Government has declared our project as a ***Project of Regional Significance***.

This document provides a detailed project description, and business plan for QWool for the next 12 months.

Should you be interested to be involved with the project as either an investor, wool supplier or wool customer, please contact me on **chairman@qwool.com.au**

Regards

1 Project Overview

This Project Description details an exciting opportunity to change the face of the wool industry in Queensland to allow Australia to become the dominant force once again in the Global wool fabric market. It supports current State and Federal Government initiatives to re-establish the manufacturing base in Australia to build on our natural competitive advantages, increase our local value add, and to support regional development.

Queensland Wool Processors Pty Ltd (QWool) aims are to :

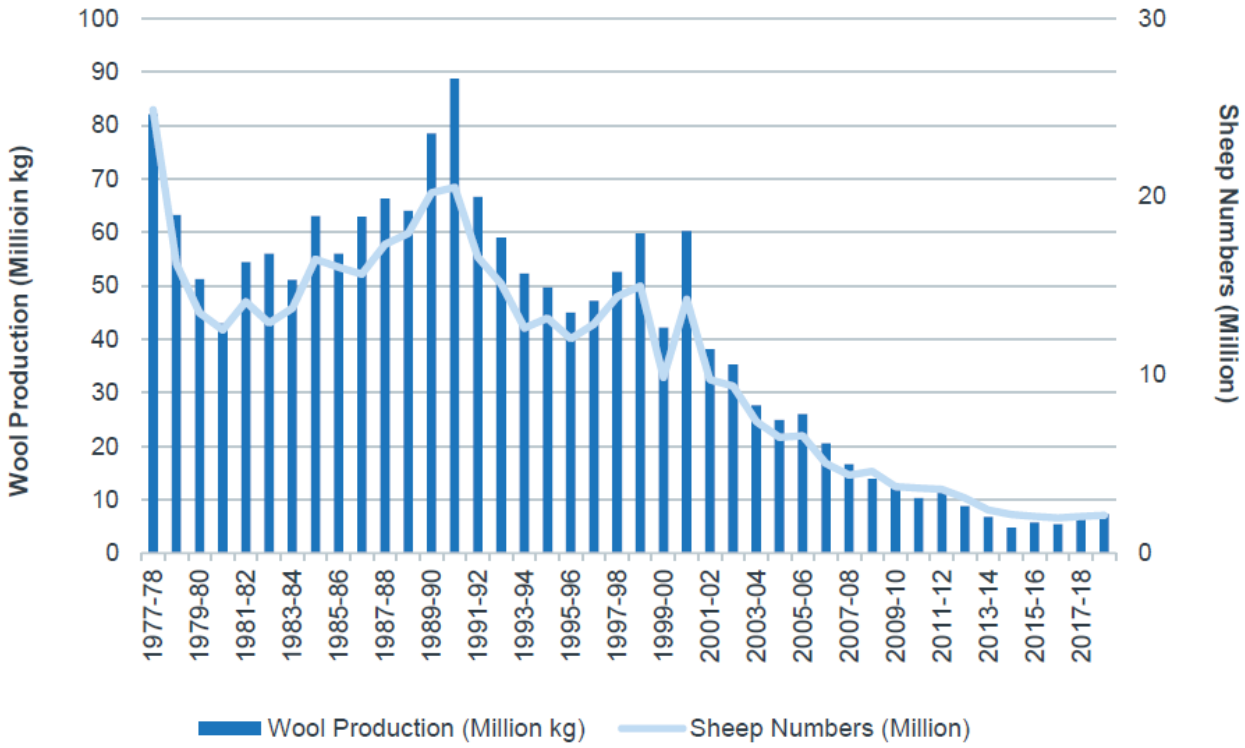
- Develop a wool processing plant located in Blackall, Queensland ;
- This Blackall plant will use 14 million kg of Australian merino greasy wool to produce and market both Scoured wool (3.0 Million kg/year) and either White or Dyed Wool Tops (5.9 Million kg per year) ;
- Establish a new input supply chain from the wool producers to the QWool processing plant to improve efficiency and reduce costs to both the grower and process plant ;
- Establish partnerships with customers who will benefit from a significantly simplified logistic chain ;
- Future proof the Australian wool industry from external threats (market closure for greasy wool due to foot and mouth disease, break-down of the supply chain through China, or the introduction of punitive tariffs) ;
- Provide a real and substantial market incentive for the growth of national sheep herd to it previous numbers, and ;
- Drive further regional economic growth and development in Western Queensland.

The initial and primary focus of QWool is to develop a purpose-built wool processing facility in Blackall, Western Queensland.

Australia is still a dominant player in the global wool market, producing 20% of the greasy wool marketed around the world. Australia is the largest single producing country. However, very little of the wool produced has any value add in Australia. So not only are we exporting some of the best quality raw wool in the world, but also exporting local jobs and economic value.

The QWool plant in Blackall will change that! Blackall is in the middle of a major wool producing in excess of 1.5 million kg of wool per year. Over the last 5 years with the exclusion fencing programme supported by the Queensland Government, the disastrous impact of wild dogs on the herd has been significantly reduced. The success of the exclusion fencing program has seen successful lambing rates increase from less than 40% to now greater than 85%.

This has resulted in a rapid growth in Queensland sheep numbers. The economic benefit caused by that growth, together with growth driven by the value add delivered by the QWool will drive further growth in sheep numbers. This is a great story for Regional Development in Western Queensland.



The Queensland catchment for the QWool plant (now with a targeted capacity of 14 million kg per year of greasy wool per year) is currently producing 7.5 million kg per year. The peak production of the Queensland industry in 1990 was close to 90 million kg/yr. This demonstrates that there is significant potential to process all Queensland wool without purchases from other Australian producing areas. It also demonstrates that once established, and the sheep herd grows, there is the possibility to replicate the Blackall plant in other areas.

Catchment Area

- Townships
- Major Centres
- Main Roads
- RAPAD Regions
- ABARES Region
- Great Artesian Basin

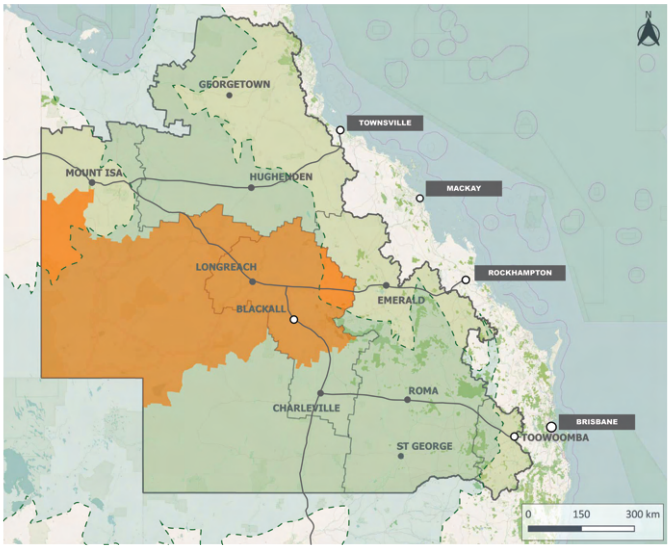


Figure 1.1 Queensland Wool Production Produced by AEC using QGIS 3.4 and Dapartment of Agricultural Shapefiles.

One of the most common questions asked by stakeholder is "**Why Blackall**?" which is one of the locations of the proverbial "Black Stump".

Blackall has been chosen as the first site for returning Wool processing to Australia for 6 main reasons:

Operating Cost Advantage

The availability, cost, chemical composition and temperature of the water for the plant from the Great Artesian Basin is ideal for scouring wool.

This provides an enormous operating cost advantage. The water comes at low cost, is clean and is at 62°C - perfect for scouring greasy wool;

Efficient Logistics

The plant is located on the Landsborough Highway, and hence is on one of Australia's major trucking routes.

This will allow for efficient logistics for freighting the greasy wool supply to the plant;

Low Cost of Land

The cost of land is very low compared to alternative peri-urban locations.

As well as reducing initial capital costs, it allows for sufficient land for renewable energy options, and beneficial re-use of process water;

Powered by Renewable Energy

The plant will be fully powered by renewable energy options - a combination of geo-thermal, solar electrical, and solar thermal energy.

As well virtually eliminating energy purchase costs (with a possibility of energy export), the plant will almost be carbon neutral;

Beneficial Re-use of Water

There is a beneficial re-use for the process water from the plant, which provides another enormous cost advantage for the site by eliminating effluent treatment charges and providing an additional income stream;

Governmental Support

The Blackall Tambo Regional Council, the local community and the Queensland Government is excited to develop and support the project to see new life and economic activity in the region. The plant will include the capability to host the dynamic and growing tourist numbers of the region.

Notwithstanding these advantages, and to ensure appropriate due diligence on the site selection, QWool has also considered other potential locations in New South Wales.

Parkes NSW, the site of the last wool processing plant in Australia was considered as an alternate location. Whilst there was a substantial work force availability and cost benefit, at this stage this option has been discounted for the following reasons :

- The cost of real estate was very high (at least 3 times the cost, and closer to 6 times the cost for the equivalent land area in the Special Activation Zone);
- The cost of the water was very high. Treated water was the only real option with a very high delivered cost;
- Energy costs were high. Without the geo-thermal energy content of the artesian basin water, energy for heating (drying) would have to be purchased. Similarly, because of the high cost of land, the solar energy component was either impractical or expensive;
- Effluent disposal costs were very high.

The Current Status of the Blackall Project

- A detailed engineering study to give capital and operating costs to a ±20% accuracy has now been completed. This includes detailed discussions with equipment suppliers. The cost estimate is higher than that used in the initial pre-feasibility study, and this is reflective of and consistent with global capital escalation.

- An option to purchase an ideal site has been executed, and the Option fee has been paid to the owner. The site is located to the North-West of Blackall on the Landsborough Highway

- This site has an existing water allocation sufficient for the full operation of the plant. An initial Ground water Impact assessment study has been undertaken to potentially increase the water allocation for the plant has been completed. This additional water maybe required if dyeing of the wool tops is added to the plant at a future stage

- The Project has received designation by the Queensland Government as a Project of Regional Significance which assists in various approval processes. This designation is also required for the application for the additional water referred to above.

- We have commenced the approvals processes (Environmental and land re-zoning) with a pre-lodgement meeting organised by the State Assessment and Referral Agency (SARA) of the Department of State Development occurring in July. At this meeting there were no surprised on the approvals requirement for the site. The owner of the land will provide documentation shortly for QWool to commence the formal Development Application (DA) and the Environmental Authority (EA) process. QWool has engaged consultant EMM to undertake the formal requirements of these processes.

- QWool has received considerable interest in energy supply options third party suppliers. The costing details from one of these third-party suppliers has been used in the capital cost estimate. There are several design options for the plant energy supply, which will need to be resolved prior to final approved for construction design. It is however most likely that this component of the plant will be a Build Own Operate (BOO). There is sufficient land available on the site for this facility.

- Initial discussions have been held with a range of customers to confirm the design concepts.

Proposed Site

The proposed site for the plant is located to the north-west of the town of Blackall. See **Figure 1.3** This Site is ideal, for the following reasons:

- A total of 145 Ha, which will be sufficient for the plant, a solar panel farm to supply both the plant and potentially excess energy to the local power grid;

- Located on the Landsborough Highway, which will avoid the cost associated with access road construction;

- Close to the Blackall airport which will be convenient for the Fly in Fly out (FIFO) work force that may be required initially for the plant;

- It has a water allocation sufficient for the plant operation.

Figure 1.3 Proposed Site

2 The Project in More Detail

The plant will be designed to process up to **14 million kg (14,000 tonnes)** of greasy wool.

This wool will be transported from both surrounding areas, as well as from other producing areas from Southern Queensland and elsewhere from the eastern States. Most shipments will be in standard 20-foot shipping containers (TEUs). Based on an average of **18,000 kg (18 tonnes)** of greasy wool per TEU, deliveries to the plant will be around **780 TEU** per year. It is anticipated that peak deliveries will be **15 to 20 B-triple** deliveries per week.

Based on preliminary market research, and the initial design work by QWool's engineers, the best initial configuration for the plant is to be designed on an input of 14 million kg/year of greasy wool. The resultant simplified plant flow chart is shown in **Figure 2.1** below.

Product dispatches will be at a constant rate totalling **8.5 million tonnes** per year. Average dispatches will be **2 B-triples** per week. It is anticipated that these containers will be transported by road to the Port of Gladstone for export mainly direct South-East Asian Customers.

The preliminary layout of the Blackall plant is shown in **Figure 2.2**. The proposed site is large and provides room both for the initial plant, but also expansion or spin off industries.

Wool product dispatches will be at a constant rate totalling 8.96 million tonnes per year. Additionally, **1,400 tonnes** a year of raw wool grease will be dispatched. Average dispatches will be **2 to 3 B-triples** per week. It is anticipated that these export containers will be transported by road to the Port of Gladstone for export mainly direct South East Asian Customers.

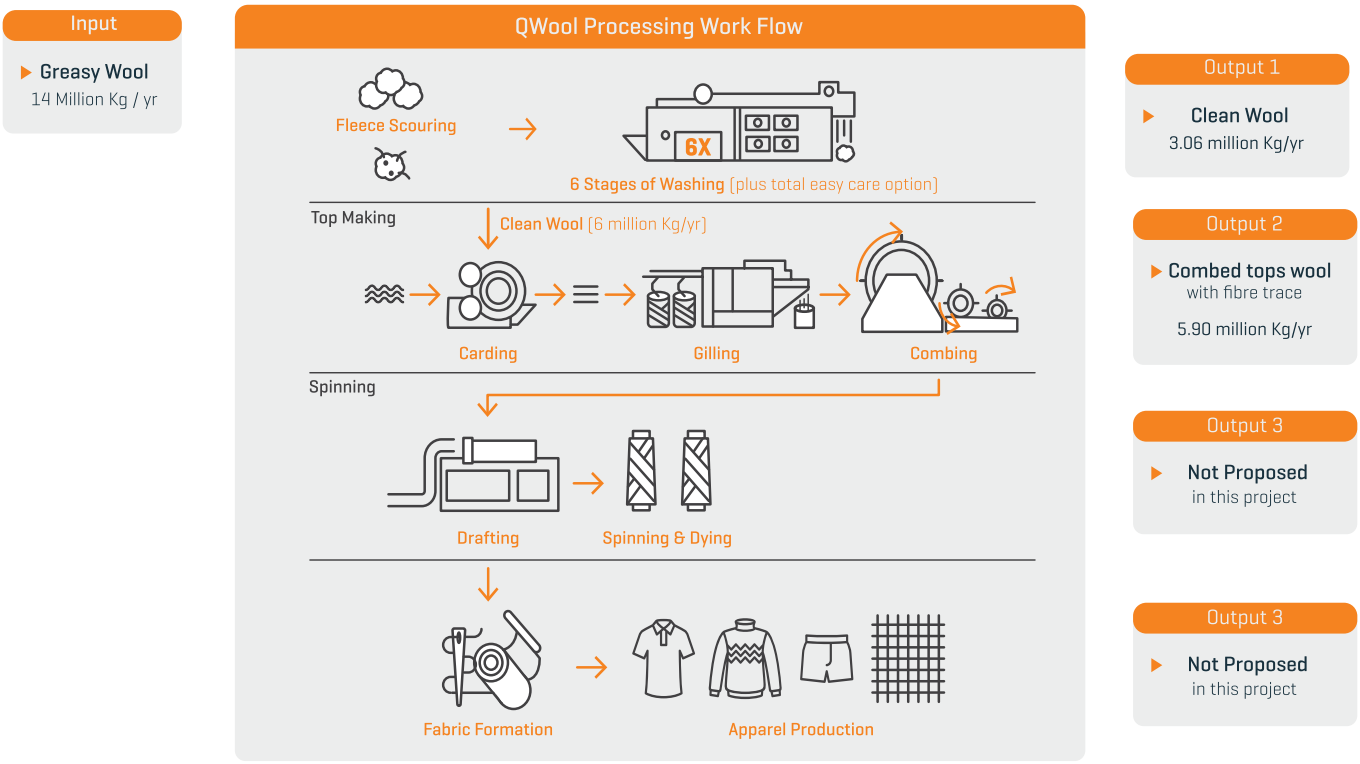


Figure 2.1 QWool Processing Workflow

The proposed facility will be operating on a 24 / 6.5 basis for approximately 46 weeks a year. This allows for 1 shift a week for cleaning. It is anticipated that there will be 2 maintenance pauses through the year.

Based on the engineering design work by QWool's engineers (CDE Design solutions), the preliminary capital cost estimates (at ±20% plus estimate of corporate costs) are:

Stage 1	A $45 million
Stage 2	A $156 million
Stage 3	A $15 million
Total	**A $216 million**
Working Capital Allowance	A $20 million

Note that these costs are inclusive of the approximately $20 Million for the energy supply to the plant. It is highly likely that this cost will be removed from the cost and be done as a build, own and operate project by a third party company.

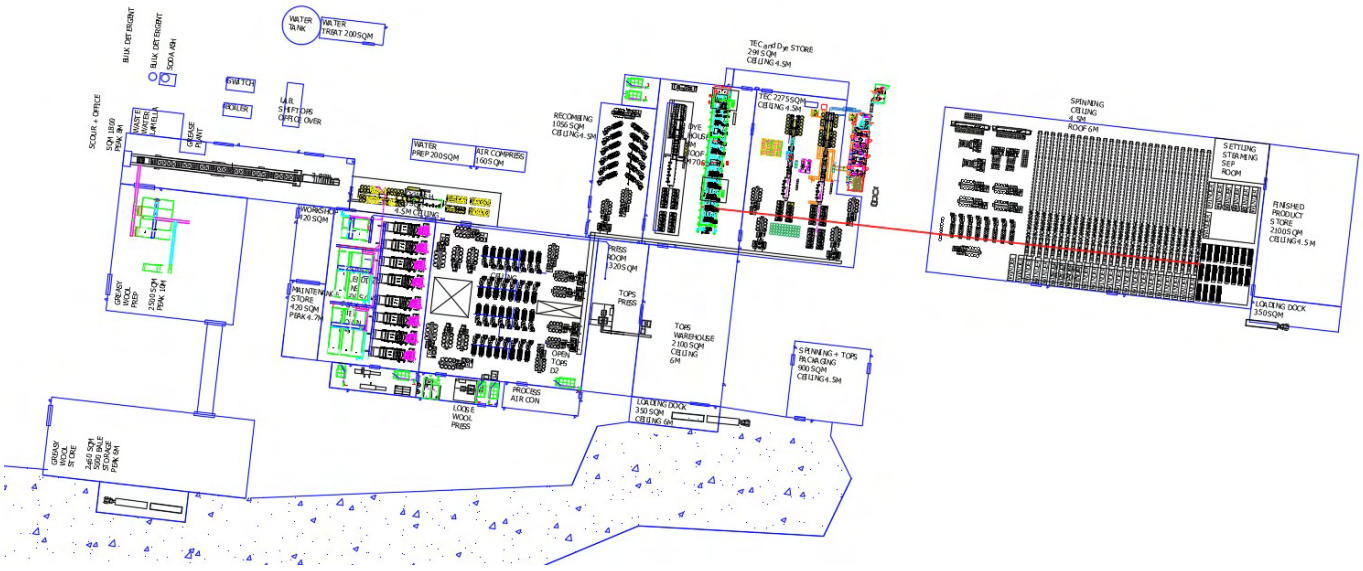


Figure 2.2 Layout of Blackall Plant

Whilst it is recognised that spinning offers the highest amount of value add and margin potential, QWool has decided that the inclusion of a spinning plant is not feasible for the following reasons:

- All the potential customers we have spoken to are interested in de-coupling the supply chain through China. They either already have spinning plants in place or have plans to develop them. Therefore, they are interested only in buying tops products;
- Most of the countries where these potential customers are based, the is significant tariff barriers for spun product. Whereas there is either no tariff or a much lower tariff on Wool tops;
- The energy requirement for a spinning plant is very high mainly due to the air-conditioning load to maintain both temperature and humidity constant.
- The labour force requirement would increase by a further 100 to 120 people working on shift. It is considered that this would be beyond the capacity of the local community to supply or absorb.

Allowance has been made in the design to potentially add a single spinning line as a future stage to match Australian domestic demand should it every emerge.

Table 2.1a, 2.1b and 2.1c below indicates the anticipated volumes through the plant on the base line design basis of 14 million kg per annum greasy wool input, and the anticipated revenues from the products.

Process	Input Volume	Yield	Market Output Volume (Kg/year)	Revenue Rate (A$/Kg)	Revenue A$	Comment
Scouring	14,000,000	65%	9,100,000	0.55	5,005,000	Premium for fine wool
Lanolin		10%	1,400,000	8.21	11,492,537	USD 5.5/Kg, 0.67 exchange
Total					**16,497,537**	

Table 2.1a Stage1 Wool Scour Only

Process	Input Volume	Yield	Market Output Volume (Kg/year)	Revenue Rate (A$/Kg)	Revenue A$	Comment
Scouring	14,000,000	22%	3,080,000	0.55	1,694,000	Premium for fine wool
		43%	6,020,000			
Lanolin		10%	1,400,000	8.21	11,492,537	USD 5.5/Kg, 0.67 exchange
Top Making		98%	5,899,600	2.10	12,389,160	
Superwash		100%	5,899,600	1.15	6,784,540	
Backwash		100%	5,899,600	0.30	1,769,880	
Total					**34,130,117**	

Table 2.1b Stage2 Wool Scour Plus un-dyed Tops

Process	Input Volume	Yield	Market Output Volume (Kg/year)	Revenue Rate (A$/Kg)	Revenue A$	Comment
Scouring	14,000,000	22%	3,080,000	0.55	1,694,000	Premium for fine wool
		43%	6,020,000			
Lanolin		10%	1,400,000	8.21	11,492,537	USD 5.5/Kg, 0.67 exchange
Top Making		98%	5,899,600	2.10	12,389,160	
Dying		100%	5,899,600	3.75	22,123,500	
Total					**47,699,197**	

Table 2.1c Stage3 Wool Scour Plus Dyed Tops

It should be noted that at this stage, it has not been decided whether to add the dying plant to the project. The Dying plant adds a further $15 million to the capital cost. This will depend entirely on the product requirements of the future customers.

The plant design will use state of the art equipment, and modern manufacturing techniques to minimise the labour, energy and water consumption. Innovation on the supply side to reduce the input cost from both the producer and supply logistics will be built into the design.

The estimated labour figures for the operating plant are shown below in **table 2.2**.

	Management and Damin	Day Work	Shift Work	Total Establishment
Scour Only	16.5	16	36	68.5
Scour & Undyed Tops	21	24	68	113
Dyed Tops	25	20	84	129

Table 2.2 Estimated Permanent Work Force Requirement

For establishing the labour costs for thev plant, the following assumptions have been made:

- The initial labour force is based on 1/3rd local hire from surrounding districts (say up to 60 minutes drive from the plant;
- The initial labour force is based on 1/3rd drive in drive out work force (over 60 minutes drive from the plant from the region – eg Longreach etc). This will be camp work force based on a 7 days on 7 days off basis;
- The initial labour force is based on 1/3rd fly in fly out force (from a Regional centre such as Rockhampton). This will be a camp work force based on a 7 days on 7 days off basis;
- Costs have used above award wages, based on a 38 hour working week, with industry standard overtime multiples.

3 The Market

Even though wool production has fallen since its peak in 1995 (731 million kg), Australia is still the largest producing nation of greasy wool in the world at 368 million kg per year (2019). China however is now a very close second at 365 million kg per year. China imports 350 million kg of greasy wool, which accounts for about 75% of Australian greasy wool exports. Additionally, China imports 90 million kg of clean wool. Only 2% of Australian wool is exported as clean wool.

At 14 million kg per year of greasy wool input, this would equate to approximately 8.9 million kg of clean wool or finished wool product from the QWool plant. This is only about 3% of the Australian clip, and about 0.6% of the world clip. So, whilst the economics of the plant will be significant for the value add in the region, the market response is most likely to be accommodating rather than hostile.

Based on QWool's discussions to date with market participants, we will be a focus on secure marketing alliances and arrangements focused on both extremely high quality at value for money pricing.

Initial discussions with potential clients have commenced. These discussions indicate that for the South East Asian Market, tariff barriers will means that selling dyed "tops" will be the most successful product of the plant. This will avoid competing in the spinning market with our most likely customers for wool tops product. Significantly more work in the market requirements will be conducted in this phase.

Most of the South-East Asian and European markets currently source their "fine Merino wool" tops from China. There are 2 issues that is top of mind in these markets:

Traceability

The customers want to know that the wool they are buying is genuine Australian fine merino wool. There is also a growing requirement to ensure that the wool is both ethically and sustainably produced.

To address this issue, QWool will be installing "fiber-trace" technology in the scouring section of the plant. There are 3 existing technologies in the marketplace. At this stage we are planning to install all 3 technologies, so that we can meet specific requirement of every customer. QWool is also proposing a research project in collaboration with the Central Queensland University to adapt their "Data Muster" Intellectual Property to the wool industry. If this project is successful, it will potentially enable customers to trace their wool back to specific growers.

Logistics Chain

Since the Wool Processing industry moved offshore in the 1990's, the cost of logistics has increase significantly. Even in the last 3 years, the cost of transport of a standard 20 foot container has more than tripled.

With greasy wool being exported predominately to China, between 35% and 45% by mass is dirt and other waste product – therefore an immediate 35% to 45% cost premium on this leg of transport. Further, the number of transport legs in the logistics chain is excessive, as described in **Figure 3.1**.

Excessive Logistics Chain

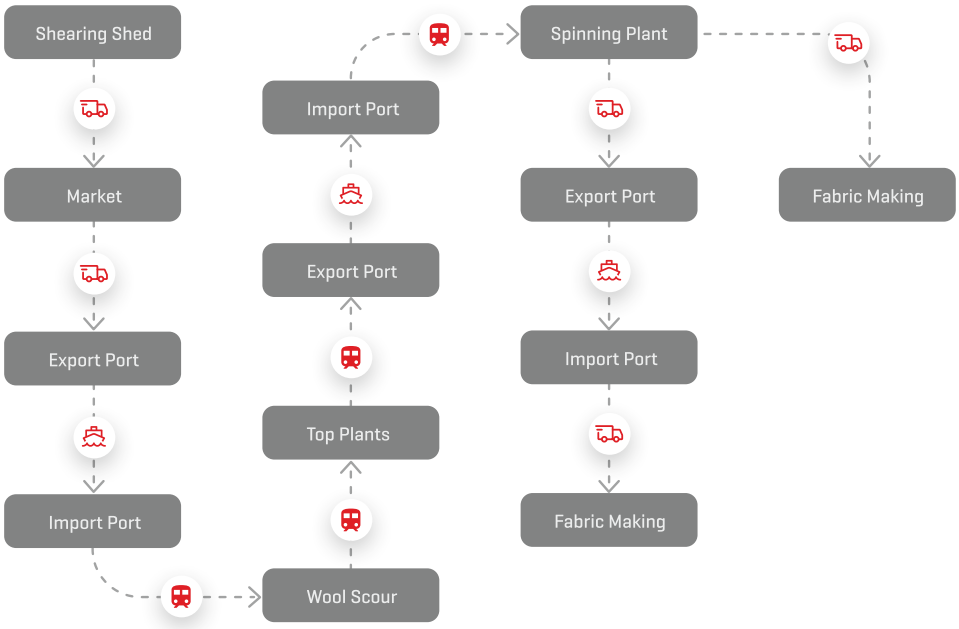


Figure3.1 Indicative Flow Chart for a South-East Asia Fabric Manufacturer

This proposal significantly reduces the complexity and cost of the supply chain. QWool's proposed logistics chain is shown in figure 3.2, which has a potential to reduce the number of logistics steps by 7.

QWool
Logistics Chain

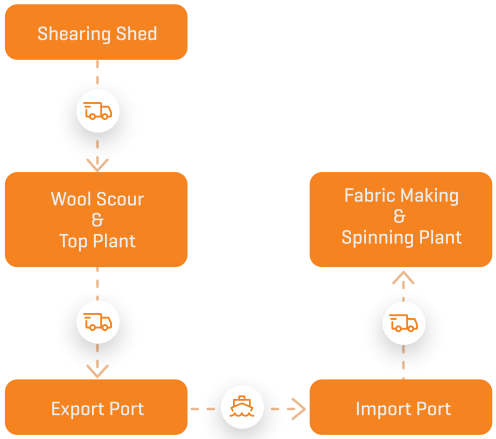


Figure3.2 QWool Proposed Logistics for a South-East Asian Partner

A full cost benefit of this logistics saving will be developed in the next phase of work. Currently, most wool in Australia is sold by producers as "free in Store" to wholesalers markets.

A potential alternate costing model is for the Qwool business to market its product as "Free in Store" to spinning customers. The enormous logistics costs savings that result can allow both a delivered discount to these customers, as well as significantly increased margins to QWool.

Further, reducing the number of logistics steps in the delivery chain also improves the environmental credentials of QWool's product.

QWool is proposing a new sale and supply chain arrangement between the wool growers and the QWool plant. It is proposed that by use of proprietary Intellectual Property that will be further developed in a partnership between the Central Queensland University and QWool which will use "big data" techniques, and smart tags on sheep to establish a quality based pricing mechanism with each grower. Together with Fibre Trace technology added at the end of the Scouring process, the full production process can be guaranteed for our customers.

Compliance

with United States Nations Sustainable Development Goals

QWool is committed to Environmentally responsible production, and will design and operate the plant to comply with the UN Sustainable Development Goals. This is also a market requirement in many of our target markets – especially Europe.

QWOOL will

- Maximise use of renewable energy;
- Utilise heat pump technology for process heating and cooling.

QWOOL will

- Increase the financial sustainability of the region
- Reverse the falling population in rural communities

QWOOL will

- Provide high paying manufacturing jobs in regional Australia;
- Substantially increase the Region Product where the plant is built.

QWOOL Plant will Be:

- An environmentally friendly clean production plant;
- Providing product traceability from production to consumer.

QWOOL will

- Add substantial value to the wool clip produced in Australia;
- Use modern manufacturing plant.

QWOOL will

- Reduce the impact on eco-systems with responsible and efficient use of all resources;
- Displace environmentally in-efficient overseas plants

5 Proposed Corporate Structure

The corporate structure shown in **Figure 5.1** will be established to enable investment in the establishment and development of the goals of Queensland Wool Processors Pty Ltd.

This structure is designed such that QWool is a consolidated holding company which will establish an end-to-end plant in Blackall which may be replicated at other locations in the future, with a single operating company for one or many plants, and a logistics company to service both supply side and distribution operations for one or many plants

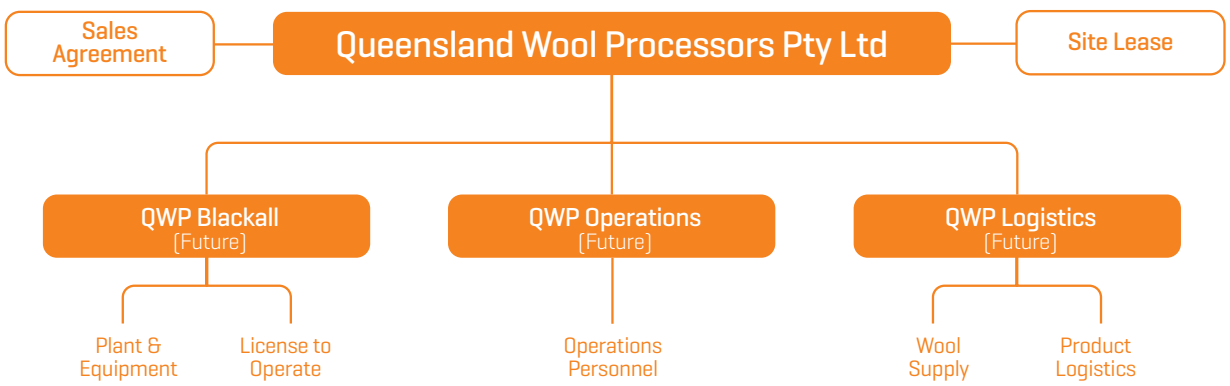


Figure5.1 QWool Proposed Corporate Structure

6 Business and Investment Risks

There will be risks associated with the initial investment in a venture such as QWool.

There are many potential risks associated this proposal. Most are manageable, but some will be outside of the control of QWool. The list below may not be complete but is provided as an indicative guidance to potential investors. By identifying risks early means the business can be structured to manage and respond to those risks.

Risks outside of Qwool's Control

- **Foreign Exchange.** A rising exchange rate to both the US dollar, and the "cross rates" (in particular the Euro) could negatively impact the capital costs and the potential margins of the business. Hedging contracts are one possible technique to manage this risk. Current evaluations use a AUD$ 1 = USD$ 0.67 and AUD$1 = €0.65.

- **Predatory pricing** by competitors against the finished products. Market response can never be predicted, but negative pressure on the marketed product can be expected and managed. However, predatory or non-competitive response is possible from market participants such as China. This risk can be managed by having established contracts in place prior to any non-competitive market response. WTO responses and sanctions whilst expensive to seek are also available.

- **Market demand.** Wool product demand has been flat for many years. A substantial fall in the market is both possible and unpredictable. Participation in industry efforts to grow the market as a natural product is the best defence on this risk.

- **Inflation.** The world is in an inflationary cycle. Capital estimate were done in period of very high inflation, where the Capital cost indices topper 30%. However, indications are that the peak has passed. Steel prices for example have fallen by 15% in the last 3 months.

Risks within Qwool's Control

- **Capital cost escalation and overrun** making the plant more expensive than expected. Use of Tier 1 contractors and suppliers on performance based contracting strategies is the proven technique to manage this risk. A value engineering exercise has yet to conducted to challenge the current estimates. It is expected that a 10% reduction of the initial estimate will be achieved. There is a high probability that some quality second hand equipment will be available to further reduce the cost. The capital contingency allowed in the final project economic evaluation will be sufficient to cover this risk;

- **Operational cost escalation** reducing operating margins. Quality management systems and processes together with good management personnel will manage this risk;

- **Energy cost escalation.** Inclusion of built-in renewable energy options will almost eliminate exposure to this risk. Where necessary, long term Power Purchase agreements are also a proven risk management technique.

- **Wool supply.** Limited availability of greasy wool below the targeted 14 million kg per year design volume of the plant will be managed with supply contracts and arrangements. 2 contracting options exist, with a blend of the 2 options. First is for QWool to be a tolling operation, with traders and customers contracting for processing volume through the plant. These contracts by their nature will be take or pay arrangements. The other option is to develop supply contracts direct with growers in advance and avoid auction processes.

- **Water Supply.** This will be licenced by the Queensland Department of Manufacturing, Regional Development and Water. The plant may require an additional bore to provide the water the required. The licence must ensure that the water supply cannot be curtailed. The plant design must ensure the minimum amount of water is used, and the water recycling is maximised. The land that QWool has secured for the site has an applicable water licence that matches the plant requirement. Discussions directly with the responsible Director General has confirmed that there will not be any issue with converting this licence from agricultural purposes to Agricultural related manufacturing.

- **Labour market planning.** A work force plan will be implemented, which will ensure the sustainable trained work force for the project. This may include supported residential facilities, Fly-in/Fly-out arrangements, indigenous engagement programmes and use of the skilled agriculture visa scheme. An EBA will be negotiated to cover the site to minimise the risk of Union disruption.

7 Board Management

Directors

Chairman & Executive Director

Mr John Abbott AM

B.Eng., LLB., CPEng., RPEQ, Int'l PE (Aust), APEC Eng., FIEAust., MAICD

John is an experienced company director and executive with over 45 years of experience in all aspects of company leadership and governance. Having worked in a wide range of roles and industries, his experience includes executive roles in operations and maintenance, industrial relations, community engagement, project development, Government negotiations and approvals, engineering design and executing large capital projects. John has extensive experience in dealing with all forms of media, investors and investor analysts, Government relations, and reconciliation processes with Australia's first nations people.

John was the Chancellor of the Central Queensland University from 2015 to 2022, the Deputy Chairman of Regional Development Australia – Central and Western Queensland, and Chairman of Queensland Pacific Metals Ltd. In 2020 he was appointed as a Member of the Order of Australia for his services to education, the resources industry and to regional development.

Non-Executive Directors

Dr William Glasson AO

MBBS, FRANZCO, FRACS, FRACGP, DipAppSC(Opt), GAICD

Bill Glasson is an ophthalmologist based in Brisbane, but has a passion for regional Queensland. He was awarded an Officer of the Order of Australia for services to medicine in rural and remote Australia, to the eye health of indigenous people, and to professional medical organisations.

Bill was born in Winton, and grew up and worked on a 45,000 Ha property with over 50,000 sheep. He now owns and operates, 'Cooper's Ponds' a 7,500 Ha property at Blackall. He is a an experienced company director for Not-for-Profit and professional organisations, as well as many commercial enterprises.

Mr Tony Walsh

B.Bus, CPA, MBA, Grad Dip Local Govt, JP

Tony is a CPA qualified accountant and registered tax agent. He is a partner of Walsh Accounting, based in Barcaldine in 1980 that now services clients all over regional Queensland. Tony has over 10 years' experience in company audits and local government audits, providing a strong background in corporate governance and risk management.

Panel of Advisors

Mr Andrew Martin

Dip Ag., GAICD

Tony is a CPA qualified accountant and registered tax agent. He is a partner of Walsh Accounting, based in Barcaldine in 1980 that now services clients all over regional Queensland. Tony has over 10 years' experience in company audits and local government audits, providing a strong background in corporate governance and risk management.

Kenneth MacMillan (Mac) Drysdale

B.Bus (Acc)

Tony is a CPA qualified accountant and registered tax agent. He is a partner of Walsh Accounting, based in Barcaldine in 1980 that now services clients all over regional Queensland. Tony has over 10 years' experience in company audits and local government audits, providing a strong background in corporate governance and risk management.

Ms Kirsty Unger

LLB(Hons), B. Int Bus, MTax.

Ms Unger is a recognised expert in Taxation Law, and in particular the GST. She has previously worked as a lecturer in law at the Central Queensland University, and is now working at the Commonwealth Government's Digital Transformation Agency.

Ms Unger has agreed to be engaged on a per hour basis until a more permanent in-house legal counsel is required.

Accounts

Walsh Accounting

68 Ash Place,
Barcaldine Q 4725

Walsh Accounting will also be the initial Registered office, and the location of the Share Registry for QWool.

8 Corporate Governance

The QWool constitution is currently a basic pro-forma document reflecting the early stage of development of the corporation. It is available for review upon request. A more appropriate constitution will be developed and will be included as part of the full equity raise for the project.

The Board and the Panel of advisors has been appointed with the skills required to drive this project. QWool's board is responsible, pursuant to the Company's Constitution, for protecting the rights and interests of all Shareholders in QWool through a process of policy settings and performance monitoring.

The Board's functions include:

- **Guiding and approving strategic direction and business planning;**
- **Monitoring business performance against agreed milestones;**
- **Ensuring the effectiveness of internal controls and business risk management**;
- **Appointing and monitoring the performance of the QWool's Chief Executive Officer when this position is required, and**
- **Ensuring the QWool complies with its responsibilities under the Corporations Act, ASIC Regulations, the Company Constitution and other relevant laws.**

As a new corporation, QWool will establish as soon as it is required an Audit and Risk Management Committee's primary objective is to assist and advise the Board in fulfilling its responsibilities in relation to the accounting and reporting practices of the Company, including:

- **Making recommendations in relation to the nomination and remuneration of external auditors;**
- **Reviewing the Company's financial control practices and evaluating the effectiveness of those practices, and;**
- **Monitoring the integrity of the Company's financial statements.**

9 Financial Information

The directors have prepared the financial information contained in this project description. None of the information has been audited or reviewed by other party – either internally to QWool or externally.

QWool is an unlisted proprietary company limited by shares. There is currently no commitment to list the company on the Australian Stock Exchange, or to undertake a public offering. However, this may change in the future, and would require the Directors to put this option to a General meeting of all shareholders at the time.

The proposed corporate structure is detailed in section 5 of this document. This proposes that there will be at least 2 subsidiary companies, which will initially 100% owned by QWool. Whilst it is possible that different ownership structures of these entities may develop, they will always be controlled entities of QWool, with a minimum Shareholding of 50.1%.

As a new corporation financial accounting policies and procedures have yet to be documented and approved by the Board. However, all these financial policies and procedures will be developed in accordance with all Australian Accounting standards, including Australian Accounting Interpretations and other authoritative pronouncements, the Corporations Act, the Australian Taxation Act, and other relevant State and Federal legislation regulations and requirements.

10 Financial Statements

As a new corporation, there are no audited financial reports or statements available for publication. However, the main financial points to note to date are:

Income Items to Date	
Grants from RAPAD	$ 50,000
Shares Issued	$ 272,000
Total	**$ 322,000**

Major Expenditure to Date	
Engineering Design Study	$ 199,109
Hydrological Study - Ground Water	$ 20,000
Land Option Charges	$ 30,000
Legal Expenses (Allowance)	$ 5,000
Total	**$ 254,100**

Proposed major expenditure items prior to Final Investment Decision over next 12 months	
Class A engineering estimate	$ 250,000
Development Approval, Environmental Authority	$ 150,000
Final investment economic analysis	$ 40,000
NAIF Loan application costs	$ 25,000
Prospectus costs	$ 25,000
Sub Total	**$ 490,000**
Land Purchase	$ 4,400,000
Total	**$ 4,890,000**

To achieve these major items, a further initial capital raising will be required. This will commence in December 2022.

11 Project Schedule

It is proposed to execute the project in stages. There are 4 reasons for this staged approach:

- To accommodate different delivery times for capital equipment. For example, the current lead time for top making equipment is 24 months, whereas Scouring equipment is 12 to 15 months;
- To minimise the peak in construction work force to match the accommodation capacity of the Black-all region;
- By commencing the Scouring process early, this will provide a cash flow to QWool, which will reduce the debt and equity requirements for the company, and;
- To minimise the operational risk by commissioning only one stage at a time, with a smaller initial workforce.

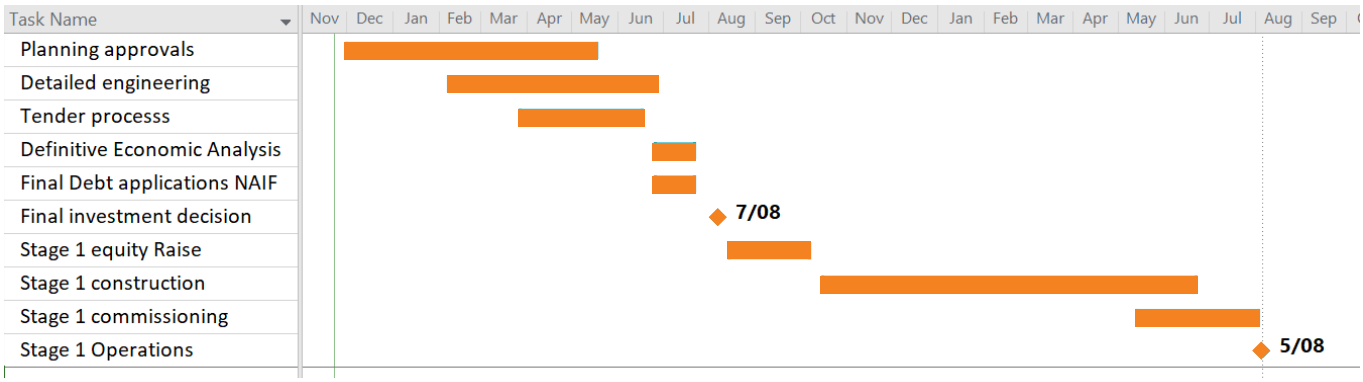


Figure11.1 Indicative Project Schedule - Stage1 Scour Only

12 Preliminary Business Plan

This section provides a higher level of detail on the activities that need to be completed over the next 12 to 18 months to bring stage 1 (Scour only) of the QWool plant to production.

12.1 Development Planning

12.1.1 Complete final design of the Stage 1 plant in Blackall. This will include the following activities:

- **Site survey.** Required to validate that the plant will be above any possible flood level from the Barcoo River. This is also required for the civil design of the access roads and building design (Contractor to be determined);
- **Site Geotechnical survey.** Required to ensure the correct foundations for the buildings and the plant and equipment (Contractor to be determined);

- **Approved for construction Design detail.** All major equipment and purchases tendered (CDE Design Solutions);
- **Water flow test** on the bore to ensure that the plant requirements can be met (EMM appointed to manage and facilitate);
- Apply of **additional water allocation** of 75 ML/annum to ensure future growth and additional processes (EMM appointed for this scope of work);
- Secure **Development Approval and Environmental Approval** for the plant on the chosen site (EMM appointed for this scope of work).

12.1.2 **Final purchase of the land** in Blackall by exercise the Deed of Option (VAJ Bryne appointed as QWool solicitors for this transaction).

12.1.3 Finalise the **Operational and corporate costs** as the major input into the DFS (CDE Design Solutions appointed for this, with the support of AEC)

12.1.4 Finalise the **definitive Feasibility study** (AEC Group appointed to undertake this scope)

12.2 Fund Raising for the Project

12.2.1 **Raise initial equity funds** to get to Final Investment Decisions (FID). It is estimated that this will cost between $500,000 and $750,000 **PLUS** the $4.4 million to purchase the land

12.2.2 The Target for fund raising is a total of A$230 million in stages, with the initial **stage 1** being A$60 million The **A$60 million** is made up of:

Construction Costs	$ 45.0 million
Escalation & contingency	$ 7.0 million (~15%)
Establish Operational Workforce	$ 2.0 million (Allowance)
Working Capital	$ 6.0 million (Allowance)

12.2.3 Establish and negotiate **Joint venture options** for participation in the project. Draft Subscription Agreement for approval at a General Meeting

12.2.4 Establish **Sales offtake agreements** to be finalised for at least 50% of the **Tops** product

12.2.5 Establish **Sales offtake agreements** to be finalised for between 30% to 40% of **greasy wool**

12.2.6 Establish specification and market requirements for unrefined wool grease

12.2.7 **Raise funds** for stage 1:

- **Equity** at 40% to be raised from JV partners, industry participants, and investor equity markets. 40% of $60 Million = $24 Million
- **Debt** at 60%. Apply for Northern Australia Infrastructure Fund financing (NAIF) and Export Finance Australia loans. 60% of $60 Million = $36 million

- **Evaluate Farm in options**

  - Power as a Build Own Operate (BOO) arrangement with a Power Purchase Agreement (PPA) with QWool.
  - Process heat as a BOO, with a PPA with QWool.

12.2.8 Construct as per capital plan

- CDE appointed as Owners Engineer, and as Construction Manager
- Tender work in lump sum packages, and award in the agreed sequence to avoid construction work force peak in Blackall

12.3 Development Plan Stage1

12.3.1 Purchase site and water licence. Agreed value is $4.4 million

12.3.2 Staged construction

- **Stage 1a:** Site preparation and site access $ 1million
- **Stage 1b:** Scour Plant only

  - **Site offices** - to become operations offices
  - **Plant Building** - Industrial standard buildings
  - **Power Supply** - To be determined. Potentially by BOO proponent.
  - **Scour Equipment -** Purchase, delivery and installation
  - **Road access** - either to Highway or Aerodrome Rd
  - **Site Paving** - Concrete in turning circles, chip seal elsewhere
  - **Water System Installation** - Upgrade existing bore and piping. Rehabilitate if required.
  - **Scour Commissioning** and first production

12.4 Workforce Planning and Accommodation

It is proposed that the construction work force be housed in local accommodation. Construction planning will be staged to ensure there are no un-manageable peaks. A contingency option is for temporary accommodation units to be installed at the Blackall Show Grounds. This site has the facilities to manage this arrangements.

It is proposed that the Operations work force for the plant initially will be a combination of locals at 1/3rd , Drive-in Drive out work force at 1/3rd, and Fly-in Fly-out at 1/3rd.

12.4.1 Relocated personnel – initially this will be key personnel that are unlikely to be sourced from the local community, and who need to be located in Blackall. For example the Site General Manager. Accommodation will be provided for these personnel. We will encourage local investors to construct new residences for long term rental, or to rent from the current rental vacancies in the region. We will ensure that this is done in such a way not to cause a rental shortage in the town that will hurt locals.

12.4.2 Local Personnel – up to 1 hour drive from the Plant. The planning basis for this is 1/3rd of the work force. The shift roster proposed will be a typical 4 panel roster – 4 days on 4 days off, 12 hour shifts. Day work will be 4 x10 hour days.

12.4.3 FIFO/ DIDO personnel. The shift roster proposed for these personnel will be 7 days on 7 days off, 12 hour shifts. A initial accommodation facility will be required to house up to 34 personnel for stage 1. It is proposed that this will be developed and operated by a third party. The Blackall Tambo Regional Council has expressed a preference that this facility be located within the town.

12.4.4 East / West flight facilitation. Based on the assumption of 1/3rd of the work force being FIFO, suitable flight options will need to be developed. QWool's philosophy of supporting regional employment, we will be seeking to support an East West flight option to Rockhampton. The flight requirements of QWool will support at least a once a week flight on shift change day.

12.4.5 Shift rosters to suit local people. To maximise the local employment opportunities. By utilising "Life style" rosters, employment at the QWool plant will allow locals to supplement their income as well as give time to manage their rural enterprises.

12.4.6 Work force training. Knowledge and experience in wool processing has been lost over the past 40 years. QWool has assumed that the work force will start on a zero knowledge based. We have already sourced experienced operators and trainers from Italy to assist with operational training. It will a requirement from all equipment suppliers to provide training required for their equipment.

12.5 Water Management Plan

The full water requirement for the QWool plant including full dyeing will be 550 Ml/year. The chosen site for the plant has an annual water allocation of 475 ML/year. It is proposed to apply to the Department of Manufacturing, Regional Development and Water for the additional 75 Ml/year water allocation to secure the life of plant water needs. If this is not achieved, then water treatment and re-cycling facilities will need to be added to the plant design.

12.6 Energy Plan

The full plant electrical peak electrical demand has been calculated to be 6MW. This is in excess of the capacity of Ergon's Blackall substation. Therefore, an estimate of $20 Million has been included in the capital estimate for a stand-alone off-grid renewable energy facility. This facility will include solar electrical plus batteries, solar thermal plus heat storage, and heat pumps to exchange thermal energy from the Artesian water supply

12.7 Transport Plan

The plant is located on the Landsborough Highway. Access to the plant will allow for road trains to access the site.

12.7.1 Greasy Wool into the plant will be sourced mainly from the Queensland and Northern New South Wales where at least B-triples can used.

12.7.2 Product from the plant will transported to the Port of Gladstone for export.

12.8 Community Relations and Engagement Plan

QWool has made a corporate commitment to support regional development and regional communities. It is why to the extent possible we will use regional people and regional suppliers. Our Accountant is based in Barcaldine, Bank in Blackall, Engineers in Bathurst, Economic advisors in Townsville and lawyers in Gladstone. During the construction phase, where possible we will break packages down into sizes that local and regional contractors will be able to bid on and execute.

We will establish relationships with the regional schools to develop traineeships and apprenticeships for local children, to maximise the opportunities for local school leavers to have well paying local jobs.

12.9 Indigenous Procurement Policy

At this stage there have not been any discussions with Indigenous groups in the region. Similarly we will work with local indigenous to develop traineeships and apprenticeships for local children, to maximise the opportunities for local school leavers to have well paying local jobs.