

May 29th 2016

Update on 2015/16 Collections and a special offer to our participating growers

To all alpaca breeders:

2015/2016 Collections

We have almost completed collections for this season and while it will be several weeks before we have our final figures, I am confident that we've had our best year ever and that collections are up at least 30% over last year.

Thank you very much to all of you who have provided fibre to Pacific Alpacas this year. Because of our profile and success, we have created competition. Breeders have a choice. But we continue to offer reliable pay-outs and responsive communications. We are expecting a record pay-out in 2016 due to some initiatives we have taken to increase the return to the business and therefore the amount we can pay to growers. As growers ourselves, we know as well as anyone that the alpaca fibre industry has not proved to be a great investment for many of us and that for the industry to thrive and grow into the future there needs to be a significant improvement in return to growers.

Our solution to improved returns – vertical integration.

Instead of focusing the business on just selling your fibre at the best possible price to manufacturers (who in turn create value added items such as blankets, duvets, knitwear etc. either here or in China), this year Pacific Alpacas have launched our own lines of proudly 100% NZ-made alpaca duvets and blankets, "Heirloom", *luxury for generations*

In addition to enabling us to increase our average pay-out to growers this year, if you are a grower and supply your fibre to Pacific Alpacas, we are now able to offer you the opportunity to leverage the earnings from your fibre. If you want to, (and it is entirely up to you), by accepting part of all of your pay-out in finished duvets and/or blanket products for on-sale through your own channels. This is an OPTION and not mandatory option.

How will it work?

As an example, a Pacific Alpaca Heirloom 100% alpaca duvet, say queen size, has an RRP \$345.00 (which is very competitive for 100% New Zealand alpaca). The wholesale price for the same item is \$220 + GST but contributing growers can elect to 'purchase' this same item for \$188 + GST (a 15% discount) and to pay for it out of expected future pay-out revenue (some conditions apply, please see attached price list).

This offer is only available to contributing growers to the Pacific Alpacas Fibre Pool. All other growers can still purchase Pacific Alpaca products but will be required to pre-pay for them prior to product shipment and to pay the full wholesale price.

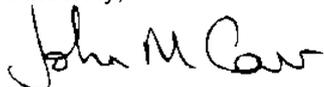
I have attached a price list of the range of products Pacific Alpacas currently manufactures.

We encourage you to take this opportunity to invest some of your earnings from your fibre into finished products professionally designed and manufactured using your fibre. Again this is an OPTION. You can resell these items, or keep them for yourself.

Thanks again for your support; we look forward to working with you in the future to revitalise the New Zealand alpaca fibre industry and ensure a fair and economic return to growers such as yourselves.

If you have any questions, please contact me on 021 950 204, or john@carr.co.nz.

Sincerely,



John M Carr