



QUINTIS LTD
ABN 97 092 200 854

22 December 2017

Further update on Sandalwood Properties Ltd - Australian Financial Services Licence

Quintis (ASX code: QIN, the "Company"), the world's largest owner and manager of commercial Indian sandalwood plantations, refers to the Australian Financial Services Licence ("AFSL") held by its wholly owned subsidiary Sandalwood Properties Ltd ("SPL"), the responsible entity of the retail managed investment schemes operated by SPL and the ASX announcement related to SPL and its AFSL on 14 December 2017.

Further to that announcement, the Company provides the following further information on the breaches of the financial requirements of the AFSL held by SPL. The breaches of SPL's AFSL relate to the requirement for SPL to have:

1. net tangible assets of at least \$10 million (the "NTA Requirement");
2. liquid assets of at least \$10 million; and
3. surplus liquid funds of at least \$50,000 (the "SLF Requirement").

As noted in the previous announcement, the guarantee and supporting security provided by SPL in favour of the Noteholders to whom Quintis issued US\$250 million of Senior Secured Notes in July 2016 (and the previous notes issued in 2011) means that:

1. SPL does not meet the NTA Requirement or the SLF Requirement; and
2. even though SPL holds more than \$10 million cash in its bank accounts, it is not 'unencumbered' as required by the Corporations Act and therefore SPL does not meet the liquid assets requirement.

Quintis is in communications with a number of third parties to seek to address this issue. Options being considered include a possible restructure of the guarantee and security (which would require the consent of Noteholders) or the appointment of an alternate responsible entity. The Noteholders have to date declined to consent to a restructure of the guarantee and security in the absence of a recapitalisation of the Company being finalised. As at the date of this announcement, Quintis and SPL do not expect these breaches to be capable of being resolved prior to a recapitalisation of the Company being agreed.

As we have been updating the market, the Company is continuing discussions in relation to the recapitalisation. The recapitalisation, if implemented, will be subject to all necessary shareholder, creditor and regulatory approvals, due diligence and other conditions precedent. The discussions continue to progress but no binding agreements have been entered into and there is no guarantee that the recapitalisation will be completed in this form or another form. As has been previously disclosed, the recapitalisation is fundamental to the ongoing solvency of the group.

Although ASIC considers proposals by the holders of AFSs for the rectification of breaches of their AFSs, responsibility for rectifying such breaches rests with the Licensee, being SPL in this case. Whilst Quintis and SPL have been in communication with the Australian Securities and Investments Commission ("ASIC"), as noted in our previous announcement, if SPL is unable to rectify the breaches, SPL may be exposed to the possibility of administrative action by ASIC under section 914 of the Corporations Act 2001 to vary, suspend or cancel SPL's AFS.

Quintis will continue to update the market on material developments.

ENDS

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