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QUINTIS SANDALWOOD ALBUM

QUINTIS LTD
ABN 97 092 200 854

27 March 2017

By Email: -

Hayley.Pratt@asx.com.au
tradinghaltsperth@asx.com.au

ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

Dear Ms Pratt

Response to ASX Query and short seller opinion piece update

In response to your query, Quintis Ltd (ASX:QIN, “Quintis” or the Company) provides the following information:

1. Names of customers

Quintis sells sandalwood to a variety of buyers across a range of both markets and countries. This diversification of products and markets has been a key part of Quintis’s business strategy (refer: 2015 AGM presentation Slides 8 and 18, 13 November 2015).

a) High value Indian Sandalwood (*Album*)

Quintis owns and manages over 12,000 hectares of Indian Sandalwood (*Album*) plantations across northern Australia. Quintis commenced annual commercial harvests from these plantations in 2014. The 2016 harvest produced 310 tonnes of heartwood and in 2017 the Company expects a yield of approximately 240 tonnes of heartwood. The majority of both these harvests were pre-sold.

The following table lists customers Quintis has supplied wood or oil to under multi-year contracts:

Name	Jurisdiction	Product	Annual Volume	Price	Date Signed	Term
Galderma	USA	Oil	No fixed volume	US$4,500 per kg plus annual CPI (capped at 3%)	2014	20 years
Lush Cosmetics	UK	Oil	Minimum of 1,000 kg	US$2,000 per kg plus annual CPI (capped at 3%)	2008, effective from 2015	5 years
Medinext General Trading (1)	India, North Africa and Middle East	Wood	30t	US$155,000 per tonne plus 3% annual increase	2016	2 years + option to extend by 3 years
Shanghai Richer Link	China	Wood	150t	Pricing dependent on grade of wood; average of US$150,000 per tonne plus 3% annual increase	2016	5 years
Young Living	US	Oil	1,200kg	US$4,500 per kg plus 2.5% annual increase	2016	5 years
Note 1: Medinext General Trading is an associate of a customer who has been supplied and paid for AU$27.5m of spicatum oil since 2010						

In addition, Quintis has a number of customers who acquire its Indian Sandalwood (*Album*) products but have not entered into long-term contracts. These customers include IFF in Europe and Paspaley in Australia; all these supplies have been priced at US$4,500per kg of oil or above (or equivalent wood pricing).

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b) Lower value Australian Sandalwood (*Spicatum*)

Quintis also conducts a purely processing and distribution business in Australian Sandalwood (*Spicatum*). *Spicatum* logs are acquired from the West Australian Forest Products Commission, which Quintis then processes into oil and distributes to customers, mainly in India and Europe. *Spicatum* oil is currently sold by Quintis for prices ranging from US$1,075 per kg to US$1,860 per kg. Processed wood product is also supplied.

The following table lists customers Quintis has supplied wood or oil to under multi-year contracts:

Name	Jurisdiction	Product	Average Volume (1)
Givaudan	Switzerland/USA	Oil	2,040 kg pa
Berje Inc	USA	Oil	650 kg pa
Aveda Corporation	USA	Oil	600 kg pa
Oneworld Corporation/Aditi	India	Oil	830 kg pa
Swiss Arabian	UAE	Oil	530 kg pa
Robertet	France	Oil	460 kg pa
Fushankodo Co Ltd	Taiwan	Wood product	530 t pa
IFF	Europe and other	Oil	250 kg pa
Firmenich	Switzerland and USA	Oil	200 kg pa
Lush Cosmetics	UK	Oil	380 kg pa
Aroma Trading Ltd	UK	Oil	130 kg pa
Australian Botanical Products	Australia	Oil	80 kg pa

Note 1: Average volume per annum based on supplies from July 2015 to December 2016

c) New institutional plantation investor in 2016

The US-based global investment management firm referred in the Company's Beyond Carbon announcement of 28 June 2016 is GMO LLC.

2. Details of the substantial and egregious inaccuracies identified by the Company in the opinion piece by Glaucus Research Group

Quintis is aware of an opinion piece on the Company (formerly TFS Corporation), authored by a US-based short-seller, Glaucus, which makes a number of unfounded allegations. At no time has Glaucus contacted Quintis; nor has Glaucus visited Quintis's plantations.

Quintis notes that:

i. Quintis abides by Australian laws, including the compliance and governance requirements of the Corporations Act, and prepares financial statements that comply with Australian Accounting Standards. Quintis's adherence to these rules is audited by EY and monitored by ASIC and ASX. By its own admission, the Glaucus opinion piece "is a short-biased opinion piece" and is not required to adhere to any of these rules.

ii. Just because an activist US-based short seller makes various claims, claims which it stands to benefit financially from, does not mean those claims are true.

Quintis is proud that it is the last remaining major manager of forestry MIS schemes in Australia, however we have moved well beyond that model by diversifying our plantation investors and selling Sandalwood oil and wood products. In FY16, only 10.3% of total revenues and other income was derived from MIS schemes (from plantation sales and ongoing plantation management fees). Only 5.7% of Quintis' new plantation sales in FY16 were derived from MIS investors.

Quintis survived the fall-out in the rest of the MIS sector (which occurred 8 to 9 years ago), principally because Indian Sandalwood (*Album*) is a rare and valuable product which has become increasingly scarce due to high levels of deforestation and a lack of commercial plantations. This imbalance between supply and demand attracted investment into Quintis's plantations from some of the world's largest and most reputable institutions.

These global institutional investors include one of the world's largest sovereign wealth funds, an Ivy League university endowment fund, and the Church Commissioners for England. Institutional investors undertake extensive due diligence into our business and its operations, especially into our forestry capability and forecast yields and the end markets for Indian Sandalwood (*Album*) products.

The Glaucus opinion piece draws multiple inaccurate conclusions based upon a confessed self interest in the Quintis share price falling, with cherry picked facts interpreted for their own benefit. Glaucus's opinion is not a research "note" that complies with ASIC Regulatory Guide 79 regarding Research Reports.

Quintis provides the additional information below to correct some of the commentary included in the Glaucus opinion. This list of errors is non-exhaustive.

a) End markets for Indian Sandalwood (*Album*)

Quintis has been an active participant in the global sandalwood industry for 20 years. In that time, we have established the world's largest commercial plantations, industry leading forestry capability and a deep understanding of the various markets for sandalwood oil and wood. Like most companies, Quintis supplements its understanding of its end markets with periodic global studies by industry experts and consultants. The most recent study was conducted in August 2016 by the one of the world's leading management consulting firms, McKinsey & Co.

There is no mention of this study, from this leading management consulting firm, in the Glaucus report.

The key findings of this study were included in an investor presentation released to the ASX platform on 26 August 2016. The key findings were that (a) Quintis is likely to have a substantial market share of the global trade of legal Indian Sandalwood (*Album*) by 2025, and (b) there is significant latent demand for Indian Sandalwood (*Album*) due to the general unavailability of a legal and sustainable product. According to the McKinsey report, demand growth is dependent on the supply of sustainable Indian Sandalwood (*Album*) and the effective development of each end market.

Quintis has already supplied wood and oil to multiple Indian Sandalwood (*Album*) buyers in a variety of global markets. The Glaucus report focuses only on one Chinese customer and makes no reference to Quintis's other customers which include Lush Cosmetics (a UK retailer with nearly 1,000 stores worldwide) and Young Living (the world's leading essential oils company).

b) Value of Indian Sandalwood (*Album*) products

Glaucus quotes a price for generic sandalwood oil imported to India of US$551 per kg. Critically, the Glaucus opinion piece fails to note that this price relates to other lower value varieties of sandalwood and not to high value Indian Sandalwood (*Album).*

All of Quintis's plantations are of the premium Indian Sandalwood (*Album*) variety. All of Quintis's multiple long term contracts for the supply of its Indian Sandalwood (*Album*) oil reflect a premium for the legal and sustainable nature of Quintis's supply, as well as the premium nature of the *Album* sandalwood variety. Each supply contract entered into since 2009 includes consistent pricing of US$4,500 per kg of oil. Wood sold by Quintis is sold at the oil equivalent price.

Australian (*Spicatum)*, Hawaiian (*Paniculatum*), Queensland (*Lanceolatum*), Fijian (*Yasi*) and other varieties of sandalwood do not have the same qualities and tradition as Indian Sandalwood (*Album*) and

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therefore trade at a fraction of the price. This is a highly important distinction within the sandalwood market. Confusing the pricing of the various varieties is as significant as confusing the price of a mass-market car brand with a luxury car brand.

By failing to make the distinction between pricing levels for oil derived from the various sandalwood botanical species Glaucus has performed a highly-flawed and, as a result, misleading pricing analysis as surely as if they had "analysed" the price of BMW vehicles by looking at import data for Kia vehicles. Again, by its own admission, the Glaucus opinion piece "is a short-biased opinion piece" and is clearly constructed to deliver a certain outcome in favour of Glaucus's short position in Quintis.

Finally, the data source used by Glaucus relies on summaries of unknown shipping documentation compiled by a third party and placed on a free website. In addition to the questions of relevance raised above, investors will make their own judgements on the accuracy, robustness and provenance of this data.

c) Sandalwood buyers in China

On 26 February 2016, Quintis announced the signing of a long-term supply contract for Indian Sandalwood (*Album*) to a new Chinese customer (Shanghai Richer Link).

The increase in harvest size in 2016 enabled Quintis to sign this inaugural Chinese contract. At 150 tonnes of product per annum, the inaugural contract represents only a small percentage of the predicted market size identified by McKinsey in China, which for timber alone was c5,300t to 6,400t by 2025. Ultimately, the Company expects this market demand will be serviced across multiple buyers of product across multiple market segments.

On 27 September 2016, Quintis announced the receipt of US$2.25M as full payment in advance for the first shipment to China, at terms in line with those announced in February 2016.

The owners of Shanghai Richer Link operate a large and established timber importation and processing business in China. Quintis inspected these processing facilities prior to signing the sales contract. Shanghai Richer Link have informed Quintis that they intend to process and supply the *Album* sandalwood purchased from Quintis to the traditional Chinese medicine market and the bead market. The traditional Chinese medicine market is recognized by Quintis and McKinsey as a very large and growing market in China.

There is no credit risk associated with Shanghai Richer Link as deliveries are paid for in advance.

Media reports of alleged customs duty avoidance on Chinese sandalwood imports

According to media reports, regulatory authorities in China have charged some sandalwood importers with alleged attempts to avoid custom duties. Quintis understands that this investigation is primarily focussed on the import of lower-priced *Spicatum* species of sandalwood into Xiamen province.

Quintis understands that officials from Shanghai Richer Link were questioned by Chinese authorities as part of their investigation. Quintis has been informed that no charges have been laid against officials from Shanghai Richer Link.

A Chinese employee of Quintis was interviewed as part of the broader investigation and other than interviews with the employee the Company has not been contacted by the Chinese authorities nor has it been requested to provide any information or documentation. No charges have been laid against the employee. A TV media report on the issue included video footage which was, according to the TV station, recorded in 2016 and shows an office door with a TFS logo.

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Shanghai Richer Link has not yet requested any shipments in 2017. As a result Quintis has advanced negotiations with selected alternative buyers which the Company has been in commercial discussions with since 2016.

If Quintis becomes aware the customer has been charged or has been engaging in customs evasion, it will immediately terminate the contract and begin supplying these other customers who are seeking our wood products. Quintis is actively monitoring this issue, reviewing its commercial relationship, and is likely to begin supplying additional customers in China.

The Company confirms it continues to be able to supply Indian Sandalwood (*Album*) to the Chinese market, and is not aware of any planned changes or restriction to import rules in China. Continued substantial Indian Sandalwood (*Album*) demand in China is readily evident from the range of potential customer discussions and inquiries Quintis is currently receiving, which in turn supports the McKinsey market demand forecasts.

When allegations of customs duty avoidance by importers in the Xiamen province *Spicatum* market came to the attention of the Company in December 2016 an external law firm was commissioned to conduct a review of Quintis's export documentation to Shanghai Richer Link. This was completed in early 2017. Quintis's export documentation was found to be accurate and no items of concern resulted from this review.

The issue of product integrity and sustainability is precisely why the recently launched Quintis trust mark is crucial to the premiums paid for our legal and sustainable supply of Indian Sandalwood (*Album*).

FY17 Guidance for Sandalwood Product Sales

In the ASX announcement accompanying our H1FY2017 financial results on 27 February 2017, Quintis provided guidance that total product sales are expected to be in the range of $45 million to $55 million for the full financial year. Quintis believes that its ability to achieve this guidance is not dependent on further sales to Shanghai Richer Link as any wood not sold to Shanghai Richer Link will be sold to alternative customers.

d) Marketing materials used by Jäderberg & Cie

Glaucus refers extensively to marketing materials used by a German company called Jäderberg & Cie. Quintis has sold plantations to Jäderberg & Cie since 2011 and Quintis has a longstanding relationship with Jäderberg & Cie.

Quintis does not, and has not, been involved in either the production of prospectuses and marketing materials (apart from providing permission to use a Quintis corporate video and images) for Jäderberg & Cie's investment funds or the structuring of the funds.

Since publication of the opinion piece, Quintis has contacted Jäderberg & Cie. Jäderberg & Cie has categorically denied any impropriety and advised Quintis that its retail prospectuses have been approved by the German financial supervisory authority (BaFin).

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e) Director turnover

Glaucus claims that there have been "a high number of director and officer resignations in recent years".

There have been no directors leave the Board since December 2014. This Board has considerable expertise relevant to Quintis's business and is appropriate for the current phase of the business's corporate life cycle.

f) Key financial metrics

Glaucus makes numerous allegations about Quintis's Net Profit After Tax (NPAT) and the contribution of non-cash items to NPAT.

Statutory NPAT is not a cash reporting measure. For any company it will generally include some non-cash items.

Quintis must and does comply with the requirements of Australian Accounting Standard Board Standard 141 for Agriculture which stipulates that the fair value movement (a non-cash item) in Quintis's plantation assets is recorded in the Statement of Profit and Loss.

Both Quintis and the analysts covering our stock use Cash EBITDA, not NPAT, as a key financial measure which is most reflective of the Company's financial performance. Quintis has consistently used Cash EBITDA in our ASX market announcements for many years. NPAT is published as it is a regulatory requirement.

In addition, Glaucus highlights the lag between initial capital investment and future investment return. This is not a unique feature to Quintis or Indian Sandalwood (*Album*) plantations. Many industries well known and understood by ASX investors show similar features – a mining project will show a significant multiyear time lag, between the stages of initial discovery, feasibility studies, construction and ultimately production. Substantial capital will be required to progress the mining project at each stage, from a range of possible sources including debt or equity, and will not show an investment return (other than possible share price movements) until the project reaches production.

Quintis remains confident of the Company's ability to favourably arrange and manage the capital lifecycle of Indian Sandalwood (*Album*) plantations. In fact, the Company recently successfully refinanced a key debt facility at a lower interest rate (refer ASX announcement of 21 July 2016 "TFS to issue US$250 million of new senior secured notes").

g) Forecast pricing, yield and survival assumptions

As Quintis owns significant Indian Sandalwood (*Album*) plantations, the Company's audited accounts naturally show that the Company's largest asset is the value of as yet unharvested *Album* plantings, recorded as Biological Assets on the Balance Sheet. As at 31 December 2016, the value was $685 million and consists entirely of higher value Indian Sandalwood (*Album*) plantations, not lesser valued sandalwood varieties.

The valuation of unharvested plantings is calculated based in part upon the expected heartwood yield per tree and the expected number of trees surviving at harvest in combination with other factors such as market pricing.

In Quintis's financial statements as at 31 December 2016, an *Album* oil price of US$2,800 per kg was used to value the plantation. This *Album* oil price component was well below both the average sales price of

US$3,906 per kg that Quintis recorded for *Album* oil in the prior six months and the US$4,500 per kg achieved for each supply contract entered into since 2009.

These assumptions are rigorously tested by management, approved by the Board and then audited by EY.

Forestry calculations also contribute to the returns expected from a plantation investment. These calculations have been thoroughly scrutinised by Quintis's plantation investors, which includes the large global institutional investors previously referenced. These institutional investors typically deploy their own forestry experts as part of their due diligence processes to perform their own calculations and require bi-annual audits of their investment.

Glaucus, which has never visited the plantations nor spoken to Quintis, are exceedingly unlikely to have better insight into the expected yields from an Indian Sandalwood (Album) plantation based upon an apparent desktop review of outdated academic studies that have already been superseded by measured Quintis plantation outcomes.

Quintis is a pioneering company which established the first commercial Indian Sandalwood (*Album*) plantations in Australia. Quintis has developed a significant amount of intellectual property and has industry leading expertise. A constant desire for improvement over 18 years has significantly changed and enhanced our forestry practices which have materially improved survival rates and yield. These changes include moving from flood to drip irrigation, changing both the species and configuration of host trees, deploying sophisticated soil testing regimes as part of a disciplined site selection process and the use of seed orchards to provide a genetically superior seed supply. This is the natural progression of science and process improvement applied over time to any agricultural process, particularly a previous unrefined area such as commercial Indian Sandalwood (*Album*) plantations.

On yield, Glaucus asserts heartwood yields of 4.0 to 6.8 kg per tree should form the basis of Quintis's yield estimates. This is a self-serving conclusion as it ignores both (a) the result of 9.7 kg per tree from Quintis's (most recent) third annual harvest in 2016, which was one of Quintis's pioneering plantations, and (b) the significant improvements in yield and mortality over time which are evident to any visitor to the plantations.

Quintis achieved approximately a three-fold improvement in yield from its first to its third harvest. Quintis expects a doubling in yield from its third to its fifteenth harvest due to multiple improvements in silvicultural practices. This is readily apparent with the size and consistency of five-year-old trees in Quintis plantations today exceeds the size and consistency of many of the 15-year-old trees which were harvested by Quintis from its pioneering plantations planted in 1999 and 2000.

With respect to survival rates, Quintis experienced very poor initial survival rates. For example, plantations established in 1999 recorded a survival rate of less than 30%. The improved agronomic practices detailed above quickly improved survivability to approximately 70% in the third plantations which were harvested in 2016.

Most recently, as stated in Quintis's FY2016 financial results announcement presentation (26 August 2016), an excellent first year survival rate of 98% was achieved from the Company's 2015 plantings. A continued low annualised average mortality of less than 1% for trees aged between 2 and 15 years was also reported.

The information provided above demonstrates a number of considerable flaws in the Glaucus opinion piece.

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3. Compliance with Listing Rules and, in particular, Listing Rule 3.1.

Quintis confirms it remains in Compliance with Listing Rules, including Listing Rule 3.1.

4. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Quintis confirms the above responses have been authorised and approved by its Board of Directors.

Yours sincerely

Frank Wilson
Managing Director

ENDS

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ASX

24 March 2017

Mr Simon Storm
Company Secretary
Quintis Limited
Level 2
171 – 173 Mounts Bay Road
PERTH WA 6000

By email: sstorm@tfsltd.com.au

Dear Mr Storm

Quintis Limited (the "Company") (previously TFS Corporation Limited (ASX:TFC))

ASX Limited ("ASX") refers to the following:

A. The Company's announcement entitled "TFS delivers strong first half result – secures new supply agreements to China and India" lodged on ASX's Market Announcement Platform ("MAP") on 26 February 2016, which stated, amongst other things:

… TFS today announced it has signed new multi-year agreements to supply its value-added wood to buyers in China and India at prices broadly equivalent to US$4,500 per kg of oil.

China: First supply agreement signed with 150t of heartwood to be shipped from the 2016 harvest.

B. The Company's announcement entitled "FY16 Half Year Results Presentation" lodged on MAP on 26 February 2016, which stated, amongst other things:

Multi-year agreements signed with Chinese and Indian wood buyers – 100% of TFS owned wood from the 2016 and 2017 harvests is now forward sold, at prices broadly equivalent to US$4,500 per kg of oil.

C. The Company's announcement entitled "MIS Buy-Back and Capital Raising Presentation" lodged on MAP on 4 April 2016, which stated, amongst other things:

The acquired plantations are expected to yield around 600 tonnes of heartwood which TFS intends to supply to its recently announced customers in China, India and the Middle East.

D. The Company's announcement entitled "Global institutional investor acquires new TFS plantations" lodged on MAP on 28 June 2016, which stated, amongst other things:

TFS Corporation Limited ("TFS", ASX:TFC, "the Company"), the world's largest owner and manager of commercial Indian sandalwood plantations, today announced the execution of contracts with a new institutional investor in the Company's Beyond Carbon product. The new investor is a US-based global

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investment management firm with over US$100 billion of assets under management and an established track record of investing in Australian and New Zealand agriculture.

E. The Company subsequently released the following announcements on the dates set out below which referred to the Company's customers in China, India, the Middle East and the US:

1. "Full Year Statutory Accounts" lodged on MAP on 26 August 2016;

2. "Strong FY16 Establishes Platform for Transformational FY17" lodged on MAP on 26 August 2016;

3. "Presentation – FY16 Full Year Results" lodged on MAP on 26 August 2016;

4. "Annual Report to shareholders" lodged on MAP on 10 October 2016;

5. "AGM 2016 Presentation" lodged on MAP on 11 November 2016;

6. "Overview of Quarterly Results" lodged on MAP on 30 November 2016;

7. "Exponential growth in sandalwood sales-transformational year" lodged on MAP on 27 February 2017; and

8. "FY17 Half Year Results Presentation" lodged on MAP on 27 February 2017.

F. The Company's announcement entitled "Commencement of trading to China" lodged on MAP on 27 September 2016, which stated, amongst other things:

TFS Corporation Ltd ("TFS", "the Company", ASX:TFC), the world's largest owner and manager of commercial Indian sandalwood plantations, has received the first cash payment for the supply of processed wood to China.

TFS today received US$2.5 million as full payment-in-advance for the first shipment of Indian sandalwood which is scheduled to depart Fremantle on 30 September. Subsequent deliviers under the Company's five-year agreement to supply 150 tonnes per annum of processed hartwood to China are ecpected to occur monthly.

G. The announcement entitled "Response to Price Query" lodged on MAP on 23 March 2017, which stated, amongst other things, in response to the question is the Company aware of any information concerning it that has not been announced to the market, which if known by some in the market, could explain the recent trading in its securities:

Yes, the Company is aware of a note by Glaucus Research Group and provides the following comments:-

(i) The Note is a self-serving and biased note by a shorter of the stock in an attempt to drive TFS's share price down for their financial gain;

(ii) There are substantial and egregious inaccuracies littered throughout the note which could have been avoided had the note's author contacted the Company;

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H. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

I. ASX's policy position on the concept of "the contents of announcements under Listing Rule 3.1" which is detailed in section 4.15 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "Guidelines on the contents of announcements under Listing Rule 3.1". In particular, the Guidance Note states as follows.

- *Wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity's securities.*
- *It is open to an entity which signs a market sensitive agreement to lodge a copy of the agreement on the ASX Market Announcements Platform, if it wishes to do so. This will help to reduce the amount of material about the agreement that needs to be included in its announcement and also avoid any issues about whether any material terms of the agreement have been properly disclosed. However, ASX recognises that there are cases where an entity will not wish to lodge a copy of an agreement on the ASX Market Announcements Platform. In those cases, the announcement about the agreement should contain a fair and balanced summary of the material terms of the agreement and include any other material information that could affect an investor's assessment of its impact on the price or value of the entity's securities.*
- *An announcement under Listing Rule 3.1 must be accurate, complete and not misleading.*

J. The Listed@ASX Compliance Update dated 25 July 2016, which reminded listed entities of the guidance in section 4.15 of Guidance Note 8 in relation to an entity's continuous disclosure obligations under Listing Rule 3.1, which includes the announcement of the identity of a party to a material transaction with a listed entity. In particular, the Compliance Update states as follows:

ASX considers that if a transaction is sufficiently material to warrant disclosure under Listing Rule 3.1, the identity of the other party or parties will generally itself be material information that must also be disclosed under that rule. Such information is required by investors and their professional advisers to understand the ramifications of the transaction and to assess its impact on the price or value of the entity's securities.

Having regard to the above, and pursuant to listing rule 18.7, ASX requires the Company to respond **separately** to each of the following questions and requests for information in a format suitable for release to the market.

1. Please provide the names and any material information in relation to each of the buyers in China, India, the Middle East and the US referred to in the announcements above.

2. Please provide details of the "substantial and egregious inaccuracies" which have been identified by the Company in the note by Glaucus Research Group.

3. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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4. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **6.30 am AWST on Monday, 27 March 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Hayley.Pratt@asx.com.au and to tradinghaltsperth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Hayley Pratt
Adviser, Listings Compliance (Perth)

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