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Details of Filing

Document Lodged:	Statement of Claim - Form 17 - Rule 8.06(1)(a)
File Number:	NSD862/2018
File Title:	GEOFFREY PETER DAVIS & ANOR v QUINTIS LIMITED (RECEIVERS AND MANAGERS APPOINTED) (VOLUNTARY ADMINISTRATORS APPOINTED) (ACN 092200 854) & ORS
Registry:	NEW SOUTH WALES REGISTRY - FEDERAL COURT OF AUSTRALIA

SEAL OF THE FEDERAL COURT OF AUSTRALIA

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Dated: 5/08/2021 3:48:33 PM AEST

Registrar

Important Information

As required by the Court's Rules, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

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Form 17
Rule 8.05(1)(a)

Second Further Amended Statement of Claim

No. NSD862 of 2018

Federal Court of Australia

District Registry: New South Wales

Division: General

Geoffrey Peter Davis

First Applicant

Geoffrey William Davis

Second Applicant

Quintis Limited (Receivers and Managers Appointed) (Subject to a Deed of Company Arrangement) (ACN 092 200 854) and others

Respondents

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A. NATURE OF PROCEEDINGS

1. The Applicants bring this proceeding, pursuant to Part IVA of the *Federal Court of Australia Act 1976* (**FCA**)*,* on behalf of the GP Davis Superannuation Fund (**Fund**) and on behalf of other persons who:

   (a) acquired an interest in ordinary shares of the First Respondent (**Quintis**) in the period commencing on 31 August 2015 and concluding on 15 May 2017, including those persons who already had an interest in ordinary shares of Quintis before 31 August 2015;

   (b) suffered loss or damage by, or which resulted from, the conduct of the Respondents pleaded below;

   (c) either:

      (i) are not persons listed in subsection 33E(2) of the FCA; or

      (ii) are persons listed in subsection 33E(2) of the FCA and have given written consent to being a group member; and

   (d) are not:

      (i) the Respondents, or companies related to them; and

      (ii) have not been, officers or employees of Quintis,

   (**Group Members**).

2. As at the date of commencement, there are seven or more Group Members.

3. For the purpose of this pleading, from 1 July 2013 to 29 November 2017 is referred to as the "**Material Times**".

B. PARTIES

Applicant

4. The Applicants are Geoffrey Peter Davis and Geoffrey William Davis who:

   (a) are individuals;

   (b) are the trustees of the Fund; and

(c) purchased and sold shares in Quintis, on behalf of the Fund, between 2014 and 2016 as follows:

(i) purchased 50,000 shares on 2 November 2015;

(ii) purchased 50,000 shares on 5 May 2016;

(iii) purchased 40,000 shares on 14 September 2016;

(iv) sold 145,618 shares on 22 December 2016;

(v) purchased 100,000 shares on 21 February 2017;

(vi) purchased 100,000 shares on 6 March 2017; and

(vii) purchased 100,000 shares on 23 March 2017.

First Respondent: Quintis

5. At all material times from 1 July 2013 to date, Quintis:

(a) was and is a company incorporated pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**) and is capable of being sued;

(b) was and is a person for the purposes of ss 1041E and 1041H of the Corporations Act and s 12DA of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**);

(c) carried and carries on the business of:

(i) growing and harvesting Indian Sandalwood (*santalum album*) (**Sandalwood**);

(ii) manufacturing Sandalwood products, including sandalwood oil;

(iii) distributing Sandalwood products, including sandalwood oil;

(iv) managing plantations of Sandalwood that are owned by investors;

(v) promoting Sandalwood investment to investors;

(d) was and is a 'listed corporation' and 'listed disclosing entity' within the meaning of s 9 and s 111AL of the Corporations Act; and

(e) was and is a 'disclosing entity' within the meaning of s 111AO of the Corporations Act.

6. Prior to 18 March 2017, Quintis was called TFS Corporation Ltd.

Second Respondent: Mr Frank Wilson

7. The Second Respondent (**Mr Wilson**):

(a) was a director of Quintis from 12 June 2012 to 27 March 2017;

(b) was the Chief Executive Officer of Quintis during the financial year ended 30 June 2015;

(c) was the Managing Director of Quintis during the financial year ended 30 June 2016;

(d) is an individual; and

(e) is and was at all Material Times a person for the purposes of ss 1041E and 1041H of the Corporations Act and s 12DA of the ASIC Act.

Third Respondent: Ernst & Young

8. At all Material Times, the Third Respondent (**EY**):

(a) is and was, including at:

(i) 30 August 2015; and

(ii) 25 August 2016,

a partnership and the Applicants are entitled to bring this proceeding against those persons who were partners of EY as at each of the dates referred to in sub-paragraphs 8(a)(i) and 8(a)(ii) above in the name of the partnership, pursuant to rule 9.41 of the *Federal Court Rules 2011* (Cth);

(b) conducted business in Australia as accountants and auditors under the partnership name "Ernst & Young" and/or "EY";

(c) audited the financial reports for Quintis for the years ended 30 June 2015 and 30 June 2016 for the purposes of s 301 of the Corporations Act; and

(d) is liable for the acts of Mr Dachs and Mr Lewsen as partners of EY.

9. Mr Timothy Dachs:

(a) was and is a partner of EY, including at the dates referred to in sub-paragraphs 8(a)(i) and 8(a)(ii) above; and

(b) was and is a person for the purposes of ss 1041E and 1041H of the Corporations Act <u>and s 12DA of the ASIC Act</u>.

10. Mr Darren Lewsen:

(a) was and is a partner of EY, including at the dates referred to in sub-paragraphs 8(a)(i) and 8(a)(ii) above; and

(b) was and is a person for the purposes of ss 1041E and 1041H of the Corporations Act <u>and s 12DA of the ASIC Act</u>.

C. Quintis' Accounting Obligations

11. Quintis was required by s 292(1)(a) of the Corporations Act to prepare financial reports for the financial years ended 30 June 2015 and 30 June 2016.

12. Each of the financial reports referred to in paragraph 11 above was required to include financial statements for the year in accordance with s 295(1) of the Corporations Act.

13. Each of the financial reports referred to in paragraph 11 above was required to be prepared in compliance with the accounting standards, pursuant to s 296 of the Corporations Act.

14. The accounting standards, as defined by ss 9 and 334 of the Corporations Act (**Accounting Standards**), included:

(a) Australian Accounting Standards Board Standard 10 titled *"Consolidated Financial Statements"* (compilations prepared on 1 October 2014 and 10 February 2015) (together and separately, **AASB 10**);

(b) Australian Accounting Standards Board Standard 101 titled "*Presentation of Financial Statements*" (compilation prepared on 16 July 2014) (**AASB 101**);

(c) Australian Accounting Standards Board Standard 141 titled *"Agriculture"* (compilations prepared on 3 October 2013 and 13 February 2015) (together and separately, **AASB 141**);

(d) Australian Accounting Standards Board Standard 13 titled *"Fair Value Measurement"* (compilation prepared on 8 August 2014) (**AASB 13**);

(e) Australian Accounting Standards Board Standard 117 titled *"Leases"* (compilations prepared on 3 October 2013 and 10 February 2015) (together and separately, **AASB 117**); ~~and~~

(f) Australian Accounting Standards Board Standard 118 titled *"Revenue"* (compilation prepared on 18 July 2014) (**AASB 118**)~~.~~;

(g) Australian Accounting Standards Board Standard 138 titled *"Intangible Assets"* (compilation prepared on 12 August 2014) (**AASB 138**);

(h) Australian Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements (compilation prepared 15 March 2016) (**Accounting Framework**)~~.~~; and

(i) Australian Accounting Standards Board Standard 132 titled *"Financial Instruments: Presentation"* (compilation prepared on 1 July 2014) (**AASB 132**).

15. Quintis was required by s 286 of the Corporations Act to keep written financial records that correctly recorded and explained its transactions, financial position and performance, and that would enable true and fair financial statements to be prepared and audited.

16. Quintis was required to prepare each of the financial reports referred to in paragraph 11 above as consolidated financial statements for Quintis, together with all the entities controlled by Quintis (the **Quintis Group**), incorporating the assets, liabilities and results of the Quintis Group at the end of each relevant financial year.

Particulars

Section 295(2)(b) of the Corporations Act

AASB 10, paragraphs 2, 4, 5, 6 and 7, 10, 15, 17

Quintis Financial Report for the Year Ended 30 June 2015, Note 1(a)

Quintis Financial Report for the Year Ended 30 June 2016, Note 1

17. Section 297 of the Corporations Act required that each of the financial reports referred to in paragraph 11 above was required to give a fair view of the financial position and performance of Quintis and the Quintis Group.

18. Sections 295(1)(c), (4) and (5), 296 and 297 of the Corporations Act together required that each of the financial reports referred to in paragraph 11 above included a declaration by the then directors of Quintis (**the Directors**) as to whether, in the Directors' opinion, the financial statements and notes to the financial statements:

(a) complied with the Accounting Standards;

(b) gave a true and fair view of the financial position and performance of Quintis; and

(c) gave a true and fair view of the financial position and performance of the Quintis Group.

C.1 CONSOLIDATED FINANCIAL STATEMENT - AASB 10

19. ~~AASB 10, required Quintis to prepare consolidated financial statements for itself and all the entities in the Quintis Group~~AASB 10 required Quintis to present the financial statements of assets, liabilities, income expenses and cash flows of Quintis and the entities which it controlled as a single economic entity.

Particulars

AASB 10, paragraphs 4 and B86

19A. AASB 10 required Quintis, regardless of the nature of its investment with an entity (the investee), to determine whether it controlled the investee.

Particulars

AASB 10, paragraph 5

19B. Under AASB 10, Quintis controlled an investee if it had:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of Quintis' returns.

Particulars

AASB 10, paragraphs 6 and 7

19C. Under AASB 10, if Quintis had the ability to use its power over the investee to affect the amount of Quintis' returns, Quintis was required to determine whether it was a principal or an agent by reference to the overall relationship between itself, the investee being managed and other parties involved with the investee, and in particular:

(a) the scope of Quintis' decision-making authority over the investee;

(b) the rights held by other parties;

(c) the remuneration to which Quintis was entitled in accordance with remuneration agreements; and

(d) Quintis' exposure to variability of returns from other interests that it holds in the investee.

Particulars

AASB 10, paragraphs 18 and B60

19D. Under AASB 10, if Quintis exercised its power over the investee to affect the amount of Quintis' returns as an agent, Quintis did not control the investee.

Particulars

AASB 10, paragraph 18

C.2 FINANCIAL STATEMENTS TO FAIRLY PRESENT FINANCIAL POSITION – AASB 101

20. AASB 101~~,~~ required Quintis to prepare financial statements that presented fairly its financial position, financial performance and cash flows.

Particulars

AASB 101, paragraph 15

C.3 RECOGNISING BIOLOGICAL ASSETS AT FAIR VALUE – AASB 141 AND AASB 13

21. AASB 141~~,~~ required Quintis to recognise biological assets, other than bearer plants, in its financial reports when, and only when:

    (a) Quintis controlled the asset as a result of past events;

    (b) it was probable that future economic benefits associated with the asset would flow to Quintis; and

    (c) the fair value or cost of the asset could be measured reliably.

Particulars

AASB 141, paragraph 10

22. AASB 141~~,~~ required Quintis to measure the value of biological assets, other than bearer plants, on their initial recognition and at the end of each reporting period, at their fair value less cost to sell, unless fair value could not be measured reliably, in which case the assets were required to be recorded at cost less any accumulated depreciation and impairment losses.

Particulars

AASB 141, paragraphs 12 and 30

23. AASB 13~~,~~ required Quintis to measure the fair value of biological assets, other than bearer plants, as the price that would be received to sell the biological asset in an orderly transaction between market participants at the measurement date.

Particulars

AASB 13, paragraph 9

24. AASB 13~~,~~ required Quintis to measure the fair value of biological assets in their current location and condition.

Particulars

AASB 13, paragraph 11

25. Sandalwood trees were not bearer plants, within the meaning of AASB 141.

C.4 RECOGNITION OF REVENUE – AASB 117 AND AASB 118

25A. AASB 117 applied in accounting for all leases other than:

(a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; and

(b) licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Particulars

AASB 117, paragraph 2

25B. AASB 117 defined a lease to be an agreement whereby the lessor conveyed to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Particulars

AASB 117, paragraph 4

26. AASB 117~~,~~ required Quintis to recognise prepaid rental income on a straight-line basis over the term of the lease.

Particulars

AASB 117, paragraph 50

26A. AASB 118 applied in accounting for revenue arising from:

(a) the sale of goods;

(b) the rendering of services; and

(c) the use by others of entity assets yielding interest, royalties and dividends.

Particulars

AASB 118, paragraph 1

27. AASB 118~~,~~ required Quintis to only recognise the commercial effect of transactions, rather than their legal form.

Particulars

AASB 118, paragraph 13

28. AASB 118~~,~~ required Quintis, when Quintis sold goods and agreed to provide ongoing services in connection with those goods, to defer recognition of that part of the sale price that was attributable to such services until they had been performed.

Particulars

AASB 118, paragraph 13

29. AASB 118~~,~~ required Quintis to recognise revenue from the sale of goods when all of the following conditions had been satisfied:

(a) Quintis had transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) Quintis retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue could be reliably measured;

(d) it was probable that the economic benefits associated with the transaction would flow to Quintis; and

(e) the costs incurred or to be incurred in respect of the transaction could be measured reliably.

Particulars

AASB 118, paragraph 14

29A. AASB 118 required Quintis to recognise revenue from the rendering of services when all of the following conditions had been satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to Quintis;

(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Particulars

AASB 118, paragraph 20

C.5 FINANCIAL INSTRUMENTS – AASB 132

29B. AASB 132 applied to all entities and to all types of "financial instruments" except:

(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with AASB 10, AASB 127 or AASB 128 unless AASB 10, AASB 127 or AASB 128 required or permitted an entity to account for an interest in a subsidiary, associate or joint venture using AASB 139;

(b) employers' rights and obligations under employee benefits to which AASB 119 applied;

(c) insurance contracts as defined in AASB 4 unless there are derivatives embedded in the insurance contract that AASB 139 required to be accounted for separately or an issuer elects to apply AASB 1023 to financial guarantee contracts in recognising and measuring those contracts;

(d) paragraphs 15 to 32 and AG25 to AG35 of AASB 132 did not apply to financial instruments that are within the scope of AASB 4 because they contained a discretionary participation feature; and

(e) financial instruments, contracts and obligations under share-based payment transactions to which AASB 2 applied except for contracts within the scope of paragraphs 8 to 10 or 33 and 34 of AASB 132.

Particulars

AASB 132, paragraph 4

29C. A "financial instrument" was defined in AASB 132 to mean any contract that gave rise to a "financial asset" of one entity and "financial liabilities" or "equity instrument" of another entity.

Particulars

AASB 132, paragraph 11

29D. A “financial asset” was defined in AASB 132 to mean any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

(i) to receive cash or another financial asset from another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity’s own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or

(ii) a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

Particulars

AASB 132, paragraph 11

29E. AASB 132 defined a “financial liability” to mean any liability that is:

(a) a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity’s own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a financial asset for a fixed number of the entity's own equity instruments.

Particulars

AASB 132, paragraph 11

29F. AASB 132 defined an "equity instrument" to mean any contract that evidenced a residual interest in the assets of an entity after deducting all of its liabilities and:

(a) the instrument includes no contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and

(b) if the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Particulars

AASB 132, paragraphs 11, 15, and 16

29G. AASB 132 required Quintis to classify a financial instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Particulars

AASB 132, paragraph 15

D. EY's Auditing Obligations

30. Quintis was required by s 301 of the Corporations Act to have its financial reports for the financial years ended 30 June 2015 and 30 June 2016 audited and to obtain an auditor's report in respect of each financial year.

31. EY was first engaged by Quintis to conduct an audit of Quintis' financial report for the year ended 30 June 2015.

32. EY conducted an audit for the purposes of s 301 of the Corporations Act of Quintis' financial reports for each of:

    (a) the financial year ended 30 June 2015 (**FY15 Audit**); and

    (b) the financial year ended 30 June 2016 (**FY16 Audit**).

33. In conducting each of the FY15 Audit and the FY16 Audit, EY was required by s 307(a) of the Corporations Act to form an opinion about whether the financial report that was the subject of the relevant audit was in accordance with the Corporations Act, including whether the report:

    (a) complied with Accounting Standards;

    (b) gave a true and fair view of the financial position and performance of Quintis; and

    (c) gave a true and fair view of the financial position and performance of the Quintis Group.

34. In conducting each of the FY15 Audit and the FY16 Audit, EY was required by s 307(b) of the Corporations Act to form an opinion about whether it had been given all information, explanation and assistance necessary for the conduct of the audit.

35. In respect of each of the FY15 Audit and the FY16 Audit, EY was required by s 308(1) of the Corporations Act to report to members of Quintis on whether it was of the opinion that the financial report that was the subject of the audit was in accordance with the Corporations Act, including whether the report:

    (a) complied with Accounting Standards;

    (b) gave a true and fair view of the financial position and performance of Quintis; and

(c) gave a true and fair view of the financial position and performance of the Quintis Group.

36. In respect of each of the FY15 Audit and the FY16 Audit, if EY was not of the opinion that the financial report that was the subject of the audit was in accordance with the Corporations Act, including in that it:

(a) did not comply with an Accounting Standard;

(b) did not give a true and fair view of the financial position and performance of Quintis; or

(c) did not give a true and fair view of the financial position and performance of the Quintis Group,

EY was required by s 308(1) of the Corporations Act to say why it was not of that opinion.

37. In respect of each of the FY15 Audit and the FY16 Audit, if EY was of the opinion that the financial report did not comply with an Accounting Standard, EY was required by s 308(2) of the Corporations Act, to the extent it was practicable to do so, to quantify the effect of the non-compliance of the financial report.

38. EY was required by s 308(3) of the Corporations Act to include in its audit report in respect of each of the FY15 Audit and the FY16 Audit, a description of any defect or irregularity in the financial report that was the subject of the audit.

39. EY was required by s 308(3A) of the Corporations Act to include in its audit report in respect of each of the FY15 Audit and the FY16 Audit any statement or disclosure required by an Auditing Standard (defined below).

40. EY was required by s 307A(a) of the Corporations Act to conduct each of the FY15 Audit and the FY16 Audit in accordance with the Auditing Standards.

41. The auditing standards, as defined by ss 9 and 336 of the Corporations Act (**Auditing Standards**), included:

(a) Auditing and Assurance Standards Board Standard 200 titled "*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (compilations prepared on 11 November 2013 and 1 December 2015) (together and separately, **ASA 200**);

(b) Auditing and Assurance Standards Board Standard 300 titled "*Planning an Audit of a Financial Report*" (compilations prepared on 11 November 2013 and 1 December 2015) (together and separately, **ASA 300**);

(c) Auditing and Assurance Standards Board Standard 315 titled "*Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*" (compilations prepared on 11 November 2013 and 1 December 2015) (together and separately, **ASA 315**);

(d) Auditing and Assurance Standards Board Standard 330 titled "*The Auditor's Responses to Assessed Risks*" (compilations prepared on 27 October 2009 and 1 December 2015) (together and separately, **ASA 330**);

(e) Auditing and Assurance Standards Board Standard 450 titled "*Evaluation of Misstatements Identified during the Audit*" (compilations prepared on 27 October 2009 and 1 December 2015) (together and separately, **ASA 450**);

(f) Auditing and Assurance Standards Board Standard 510 titled "*Initial Audit Engagements – Opening Balances*" (compilation prepared on 27 October 2009 and 1 December 2015) (**ASA 510**);

(g) Auditing and Assurance Standards Board Standard 540 titled "*Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*" (compilations prepared on 27 June 2011 and 1 December 2015) (together and separately, **ASA 540**);

(h) Auditing and Assurance Standards Board Standard 620 titled "*Using the Work of an Auditor's Expert"* (compilation prepared on 27 October 2009) (**ASA 620**)

(i) Auditing and Assurance Standards Board Standard 700 titled "*The Auditor's Report on a General Purpose Financial Report*" (compilations prepared on 1 July 2013 and 1 December 2015) (together and separately, **ASA 700**); ~~and~~

(j) Auditing and Assurance Standards Board Standard 705 titled "*Modifications to the Opinion in the Independent Auditor's Report*" (compilations prepared on 27 June 2011 and 1 December 2015) (together and separately, **ASA 705**)~~.~~;

(k) Auditing and Assurance Standards Board Standard 240 titled *"The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report"* (compilation prepared on 11 November 2013) (**ASA 240**); and

(l) Auditing and Assurance Standards Board Standard titled *"Audit Evidence"* (compilations prepared on 11 November 2013 and 1 December 2015) (together and separately, **ASA 500**).

D.1 CONDUCT OF AUDIT – ASA 200

42. EY was required by ASA 200 to exercise professional judgment and professional scepticism throughout the planning and performance of the FY15 Audit and the FY16 Audit.

Particulars

ASA 200 (11 November 2013), paragraphs 15, 16, A18, A19 and A20

ASA 200 (1 December 2015), paragraphs 15, 16, A20, A21 and A22

43. EY was required by ASA 200 to obtain reasonable assurance as to whether the financial reports that were the subject of each of the FY15 Audit and the FY16 Audit, taken as a whole, were free from material misstatement.

Particulars

ASA 200, paragraphs 11(a) and A38

44. EY was required by ASA 200 in its performance of each of the FY15 Audit and the FY16 Audit to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable it to draw reasonable conclusions on which to base its opinion.

Particulars

ASA 200, paragraph 17

45. EY was required by ASA 200 in its performance of each of the FY15 Audit and the FY16 Audit to disclaim an opinion or withdraw (or resign), if possible under applicable laws and regulations, from its engagement in a situation where the reasonable assurance pleaded in paragraph 43 above could not be obtained and a qualified opinion was insufficient in the circumstances for purposes of reporting to the intended users of the financial report.

Particulars

ASA 200, paragraph 12

46. EY was required by ASA 200 in its performance of each of the FY15 Audit and the FY16 Audit to critically assess audit evidence, including by questioning contradictory audit evidence and the reliability of documents and responses to enquiries and other information obtained from management and those charged with governance, and the sufficiency and reliability of audit evidence.

Particulars

ASA 200 (11 November 2013), paragraphs 13(l), 15 and A20

ASA 200 (1 December 2015), paragraphs 13(l), 15 and A22

D.1A AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF A FINANCIAL REPORT – ASA 240

46A. EY was required by ASA 240 to perform risk assessment procedures in order to obtain information for use in identifying the risks of material misstatement due to fraud.

Particulars

ASA 240, paragraph 16

46B. EY was required by ASA 240 to consider whether information it obtained during its audit indicated a risk of material misstatement due to fraud.

Particulars

ASA 240, paragraph 23

46C. EY was required by ASA 240 to evaluate whether the information it obtained from other risk assessment procedures and related activities performed during its audit indicated that one or more fraud risk factors were present.

Particulars

ASA 240, paragraphs 24, A23

46D. If EY identified a risk of material misstatement due to fraud, it was required by ASA 240 to treat that risk as a significant risk and accordingly obtain an understanding of Quintis' controls and control activities relevant to such a risk.

Particulars

ASA 240, paragraph 27

D.2 PLANNING THE AUDIT – ASA 300

47. EY was required by ASA 300 to plan its audit for the FY15 Audit and FY16 Audit, including by:

    (a) ensuring appropriate attention was devoted to important areas of the audit; and

    (b) selecting engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks.

Particulars

ASA 300 (11 November 2013), paragraph 2

48. As part of planning its audits, EY was required by ASA 300 to establish overall audit strategies that set the scope, timing and direction of the FY15 Audit and FY16 Audit, which would guide the development of the audit plan.

Particulars

ASA 300 (11 November 2013), paragraph 7

49. In establishing the audit strategies pleaded in paragraph 48 above, EY was required to consider the factors that, in the auditor's professional judgement, were significant in directing the engagement team's efforts.

Particulars

ASA 300 (11 November 2013), paragraph 8

49A. EY was required by ASA 300 to develop an audit plan that included a description of:

    (a) the nature, timing and extent of planned risk assessment procedures, as determined under ASA 315;

    (b) the nature, timing and extent of planned further audit procedures at the assertion level, as determined under ASA 330; and

(c) other planned audit procedures that are required to be carried out so that the engagement complies with the Auditing Standards.

Particulars

ASA 300 (11 November 2013), paragraph 11

49B. The planning of the audit as pleaded in paragraph 49A above:

(a) was not a discrete phase of the audit but a continual and iterative process; and

(b) included the need to consider, prior to the identification and assessment of the risks of material misstatement matters such as:

(i) analytical procedures to be applied as risk assessment procedures;

(ii) obtaining a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;

(iii) the determination of materiality;

(iv) the involvement of experts; and

(v) the performance of other risk assessment procedures.

Particulars

ASA 300 (11 November 2013), paragraph A2

D.3 RISKS OF MATERIAL MISSTATEMENT – ASA 315 AND ASA 330

~~50. EY was required by ASA 315 to identify and assess risks of material misstatement in the financial reports that were the subject of each of the FY15 Audit and FY16 Audit through understanding Quintis and its environment, including its industry, regulatory and other external factors, its operations and its investments.~~

~~**Particulars**~~

~~*ASA 315 (11 November 2013), paragraphs 3, 11, 25, 26, A24, A25*~~

~~*ASA 315 (1December 2015), paragraphs 3, 11, 25, 26, A25, A26*~~

~~51. EY was required by ASA 315, in exercising judgements in its performance of each of the FY15 Audit and the FY16 Audit as to which risks were significant risks, to consider the degree of subjectivity in the measurement of financial information related to the risk, especially for those measurements involving a wide range of measurement uncertainty.~~

~~**Particulars**~~

~~*ASA 315, paragraph 28(e)*~~

51A. EY was required by ASA 315 for each of the FY15 Audit and the FY16 Audit to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial report and assertion levels.

Particulars

ASA 315, paragraph 5

51B. EY was required by ASA 315 for each of the FY15 Audit and the FY16 Audit to obtain an understanding of:

(a) Quintis' relevant industry, regulatory, and other external factors and the applicable financial reporting framework;

(b) the nature of Quintis, including its operations, ownership and governance structures, the types of investment that Quintis is making and plans to make, and the way that the entity was structured and financed, so as to enable EY to understand the classes of transactions, account balances, and disclosures to be expected in the financial report;

(c) Quintis' selection and application of accounting policies, including the reasons for changes thereto and to evaluate whether Quintis' policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry;

(d) Quintis' objectives and strategies, and those related business risks that may result in risk of material misstatement; and

(e) the measurement and review of Quintis' financial performance.

Particulars

ASA 315, paragraph 11

51C. EY was required by ASA 315 for each of the FY15 Audit and the FY16 Audit to obtain an understanding of the internal control relevant to each of the FY15 and the FY16 Audit.

Particulars

ASA 315, paragraph 12

51D. EY was required by ASA 315 for each of the FY15 Audit and the FY16 Audit to identify and assess the risks of material misstatement at the financial report level and the assertion level for classes of transactions, account balances and disclosures to provide a basis for designing and performing further audit procedures by:

(a) identifying risks through the process of obtaining an understanding of Quintis and its environment, including relevant controls that relate to risks, and by considering the classes of transactions, account balances, and disclosures (including quantitative and qualitative aspects of such disclosures) in the financial report;

(b) assessing the identified risks, and evaluate whether they relate more pervasively to the financial report as a whole and potentially affect many assertions;

(c) relating to identified risks of what can go wrong at the assertion level, taking account of relevant controls that the auditor intends to test; and

(d) considering the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement could result in a material misstatement.

Particulars

ASA 315, paragraphs 25 and 26

51E. In undertaking the risk assessment pleaded in paragraph 51D above, EY was required to determine whether any of the risks identified are a significant risk by considering at least the following:

(a) whether there is a risk of fraud;

(b) whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;

(c) the complexity of transactions;

(d) whether the risk involves significant transactions with related parties;

(e) the degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and

(f) whether the risk involves significant transactions that are outside the normal course of business for Quintis, or that otherwise appear to be unusual.

Particulars

ASA 315, paragraphs 27 and 28

52. EY was required by ASA 330, in its performance of each of the FY15 Audit and the FY16 Audit, to obtain more reliable and relevant audit evidence the greater the assessed audit risk.

Particulars

ASA 330, paragraphs 7(b), 18, 21, 26

53. If, in the course of its performance of either of the FY15 Audit or the FY16 Audit, EY had not obtained sufficient appropriate audit evidence as to a material financial report assertion EY was required by ASA 330 to attempt to obtain further audit evidence and, if it was unable to obtain sufficient appropriate audit evidence, it was required to express a qualified opinion or a disclaimer of opinion.

Particulars

ASA 330, paragraph 27

D.4 MISSTATEMENTS IDENTIFIED DURING THE AUDIT – ASA 450

54. EY was required by ASA 450 in the course of its performance of each of the FY15 Audit and the FY16 Audit to communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management and to request that management correct those misstatements and if management refused to correct some or all of those misstatements, EY was required to obtain an understanding of management's reasons for not making the corrections and take that understanding into account when evaluating whether the financial report as a whole was free from material misstatement.

Particulars

ASA 450, paragraphs 8 and 9

D.4A AUDIT EVIDENCE – ASA 500

54A. EY was required by ASA 500 to design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence.

Particulars

ASA 500, paragraph 6

54B. EY was required by ASA 500 to evaluate the appropriateness of using the work of management's expert, Mr Andrew Brown (Quintis' head of research and development), as audit evidence in respect of the valuation of Quintis' biological assets, including by:

(a) evaluating the competence, capabilities and objectivity of management's expert; and

(b) obtaining an understanding of the work of that expert.

Particulars

ASA 500, paragraph 8(c)

54C. EY was required by ASA 500 to evaluate whether the information from Mr Brown was sufficiently reliable as audit evidence in respect of the valuation of Quintis' biological assets, including by:

(a) obtaining audit evidence about the accuracy and completeness of the information; and

(b) evaluating whether the information is sufficiently precise and detailed for purposes of auditing the valuation of Quintis' biological assets.

Particulars

ASA 500, paragraph 9

D.5 Initial Audit Engagement: Opening Balances – ASA 510

55. EY was required by ASA 510, in conducting the FY15 Audit, to obtain sufficient appropriate audit evidence about whether opening balances contained any misstatement that materially affected the financial report that was the subject of the FY15 Audit.

Particulars

ASA 510, paragraphs 3 and 3(a)

56. If EY, in the course of conducting the FY15 Audit, obtained audit evidence that opening balances contained misstatements that could have materially affected the financial report that was the subject of the FY15 Audit, it was required by ASA 510:

(a) to perform such additional audit procedures as were appropriate in the circumstances to determine the effect of the misstatements on the financial report for the financial year ended 30 June 2015; and

(b) if it concluded that misstatements existed in the financial report for the financial year ended 30 June 2015, to communicate the misstatements with the appropriate level of management and with those charged with governance.

Particulars

ASA 510, paragraphs 6 and 7

57. If EY, in the course of conducting the FY15 Audit, concluded that any opening balances contained a misstatement that materially affected the financial report that was the subject of the FY15 Audit and the effect of the misstatement was not appropriately accounted for or not adequately presented or disclosed, EY was required by ASA 510 to:

(a) express a qualified opinion; or

(b) express an adverse opinion.

Particulars

ASA 510, paragraph 11

58. If EY, in the course of conducting the FY15 Audit, was unable to obtain sufficient appropriate audit evidence regarding any opening balances, EY was required by ASA 510 to:

(a) express a qualified opinion; or

(b) to disclaim its opinion.

Particulars

ASA 510, paragraph 10

D.6 ACCOUNTING ESTIMATES – ASA 540

59. EY was required by ASA 540, in the course of its performance of each of the FY15 Audit and the FY16 Audit, to obtain sufficient appropriate audit evidence about whether:

(a) accounting estimates, including fair value accounting estimates, in the financial reports that were the subject of the FY15 Audit and the FY16 Audit, whether recognised or disclosed, were reasonable; and

(b) related disclosures in the financial reports that were the subject of the FY15 Audit and the FY16 Audit were adequate,

in the context of the applicable financial reporting framework.

Particulars

ASA 540, paragraph 6

60. EY was required by ASA 540, in the course of its performance of each of the FY15 Audit and the FY16 Audit, to determine whether the methods for making accounting estimates in the financial reports that were the subject of the FY15 Audit and the FY16 Audit were appropriate and whether changes in accounting estimates or in the method for making them from the prior period were appropriate in the circumstances.

Particulars

ASA 540, paragraph 12(b)

61. In the performance of the FY15 Audit and the FY16 Audit in responding to assessed risks of material misstatement in relation to accounting estimates, EY was required by ASA 540 to:

(a) determine whether events occurring up to the date of the auditor’s report provided audit evidence regarding the accounting estimate;

(b) test how management made the accounting estimate and the data on which it was based; and

(c) consider whether specialised skills or knowledge in relation to one or more aspects of the accounting estimates was required in order to obtain sufficient appropriate audit evidence.

Particulars

ASA 540, paragraphs 13 and 14

62. If an accounting estimate used in a financial report that was the subject of the FY15 Audit or the FY16 Audit gave rise to a significant risk, EY was required by ASA 540 to evaluate whether the significant assumptions used by management were reasonable.

Particulars

ASA 540, paragraph 15(b)

63. EY was required by ASA 540 to evaluate, based on the audit evidence, whether the accounting estimates in the financial reports that were the subject of the FY15 Audit and the FY16 Audit were either reasonable in the context of the applicable financial reporting framework, or were misstated.

Particulars

ASA 540, paragraph 18

D.7 USING THE WORK OF AN AUDITOR'S EXPERT – ASA 620

64. EY was required by ASA 620 to consider whether it was necessary to engage an expert in Sandalwood to assist with the FY15 Audit and the FY16 Audit.

Particulars

ASA 620 paragraphs 7 and A4-A9

D.8 MODIFICATIONS TO THE OPINION IN THE AUDIT REPORT – ASA 700 AND ASA 705

65. EY was required by ASA 700 and ASA 705 to modify its audit opinion on the FY15 Financial Report and FY16 Financial Report~~s~~ if it:

(a) concluded that, based on the audit evidence obtained, the relevant financial report as a whole was not free from material misstatement; or

(b) was unable to obtain sufficient appropriate audit evidence to conclude that the relevant financial report as a whole was free from material misstatement.

Particulars

ASA 700, paragraph 17

ASA 705, paragraph 6

E. QUINTIS' BUSINESS

66. At all Material Times, Quintis managed the largest area of Sandalwood plantations in the world and operated the world's largest Sandalwood oil distillation facility.

67. At all Material Times, Quintis:

(a) owned Sandalwood plantations itself; and

(b) managed Sandalwood plantations on behalf of investors.

68. At all Material Times, the Sandalwood plantations owned or managed by Quintis were located in the Kununurra, Kingston Rest and East Kimberly regions of Western Australia, the Douglas Daly and Katherine regions in the Northern Territory and the Burdekin region in Queensland.

69. Quintis planted its first commercial Sandalwood plantations in 1999.

70. Quintis completed its first commercial harvest of Sandalwood in 2014.

E.1 SANDALWOOD PRODUCTION

71. Heartwood is the oil-bearing innermost layer of timber at the core of a Sandalwood tree.

72. Sandalwood oil is produced from heartwood.

73. Sandalwood oil is the most commercially valuable by-product of a Sandalwood tree.

74. Sandalwood trees, at a minimum, took between 14 and 16 years to reach a point of maturity at which it was economically feasible to harvest them.

Particulars

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, page 17

~~*Further particulars will be provided following disclosure and expert evidence.*~~

Report of Wayne Basford dated 17 March 2020 at paragraphs 1.2.6 and 3.4.33.

E.2 QUINTIS' BUSINESS MODEL

75. As a result of the matters pleaded in paragraphs 5(c), 69, 70, and 74 above, Quintis was unable:

    (a) prior to 2014, to generate revenue from the sale of Sandalwood oil or Sandalwood products derived from the Sandalwood in its plantations in significant sums; and

    (b) at all Material Times, to meet its expenses from income generated from the sale of Sandalwood oil or Sandalwood products derived from the Sandalwood trees it owned or managed.

76. As a result of the operating cycle pleaded in paragraph 74 above, and Quintis' inability to produce cash flows from the sale of Sandalwood oil or Sandalwood products while its plantings matured, at all Material Times Quintis' business model depended upon attracting investors and financiers in order to produce cash flows.

77. As a result of the matters pleaded in 75 and 76 above, at all Material Times, Quintis' ability to continue as a going concern was dependent upon its ability to raise funds from investors and financiers during the period from the planting of its first commercial Sandalwood plantations:

    (a) to 29 November 2017; or

    (b) alternatively, to the harvest of its first commercial Sandalwood plantations.

Particulars

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, pages 79-80

~~*Further particulars will be provided following disclosure and expert evidence.*~~

Report of Wayne Basford dated 4 March 2020 at paragraphs 2.1.1 to 2.2.7.

E.3 QUINTIS INVESTMENT PRODUCTS

78. ~~At all Material Times,~~ Quintis relevantly offered ~~two~~three plantation investment products to investors:

(a) Sophisticated Investor Offering (**SIO**), which was a product that Quintis sold to high net worth individuals; ~~and~~

(b) Managed Investment Scheme (**MIS**), which was a product that Quintis sold to Australian retail investors~~,~~; and

(c) Beyond Carbon (**BC**), which was a product that Quintis sold to institutional investors,

(together the **Quintis Investment Products**).

Sophisticated Investor Offering (SIO) Product

79. ~~At all Material Times,~~During the period from about June 2013 until about June 2016 Quintis and wholly owned subsidiaries of Quintis entered into contracts with high net worth individuals (**SIO Contracts**), pursuant to which those investors (**SIO Investors**):

(a) were required to pay an Establishment Fee in exchange for:

(i) purportedly receiving an interest in 100% of the Gross Proceeds of Sale less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee;

(ii) use of the land on which that Sandalwood was located for the purpose of the plantation;

(iii) Quintis agreeing to provide Investment Services, Establishment Services, Property Management Services, and Selling and Marketing Services; and

(iv) Quintis agreeing to Harvest the Sandalwood at maturity; ~~and~~

(b) each year in which the SIO Investor elected not to pay an Annual Property Management Fee and Rent, <u>and an Annual Investment Services Fee in the case of the 2013 SIO Investors</u>, Quintis would retain an interest, of between 1% and 3%, in the Gross Proceeds of Sale from the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee, up to 20%. This was referred to by Quintis as a deferral of fees by the SIO Investor.

Particulars

~~*TFS Indian Sandalwood Project 2016 Sophisticated Investment Offer Information Memorandum, pages 27, 35, 38-39*~~

<u>*Investment Management Agreement, June 2013, Clauses 1.1, 1.3, 4.3(a), 4.4, 4.5, and Item 7 of Schedule 1.*</u>

<u>*Investment Management Agreement, June 2014, Clauses 1.1, 1.3, 4.1, 4.2, 4.3, Item 7 of Schedule 1.*</u>

<u>*Investment Management Agreement, June 2015, Clauses 1.1, 3, 6.1, 6.2, Item 6 of Schedule 1.*</u>

<u>*Investment Management Agreement, June 2016, Clauses 1.1, 3, 6.1, 6.2, Item 6 of Schedule 1.*</u>

80. The Investment Services included annual reporting, complying with applicable laws, maintaining accounts and records and overseeing third parties' work, to be provided throughout the term of the investment.

Particulars

~~*TFS Indian Sandalwood Project 2016 Sophisticated Investment Offer Information Memorandum*~~, ~~*page 34*~~

<u>*Investment Management Agreement, June 2013, Clauses 1.1 and 1.3(a).*</u>

<u>*Investment Management Agreement, June 2014, Clauses 1.1 and 1.3(a).*</u>

<u>*Investment Management Agreement, June 2015, Clauses 1.1 and 3(a).*</u>

<u>*Investment Management Agreement, June 2016, Clauses 1.1 and 3(a).*</u>

81. The Establishment Services included seed acquisition and propagation, ground preparation, weed control, planting, fertilising, irrigation cost and other plantation requirements, which would be provided within two years of the initial investment being made.

Particulars

~~*TFS Indian Sandalwood Project 2016 Sophisticated Investment Offer Information Memorandum*, page 35~~

Investment Management Agreement, June 2013, Clauses 1.1 and 1.3(c).

Investment Management Agreement, June 2014, Clauses 1.1 and 1.3(c).

Investment Management Agreement, June 2015, Clauses 1.1 and 3(c).

Investment Management Agreement, June 2016, Clauses 1.1 and 3(c).

82. The Property Management Services included:

(a) managing weed control, pruning harvest and post-harvest activities;

(b) maintaining the leased land;

(c) managing weeds and controlling diseases on the lease property; and

(d) maintaining records of all harvests, measurement data and inventory,

to be provided throughout the term of the investment.

Particulars

~~*TFS Indian Sandalwood Project 2016 Sophisicated Investment Offer Information Memorandum*, page 34~~

Investment Management Agreement, June 2013, Clauses 1.1 and 1.3(b).

Investment Management Agreement, June 2014, Clauses 1.1 and 1.3(b).

Investment Management Agreement, June 2015, Clauses 1.1 and 3(b).

Investment Management Agreement, June 2016, Clauses 1.1 and 3(b).

83. The Selling and Marketing Services included:

(a) maintaining an international list of potential buyers of sandalwood;

(b) advertising; and

(c) negotiating sales,

to be provided throughout the term of the investment but predominantly towards the end of the term of the investment.

Particulars

~~*TFS Indian Sandalwood Project 2016 Sophisicated Investment Offer Information Memorandum, page 35*~~

Investment Management Agreement, June 2013, Clauses 1.1 and Item 6 of Schedule 1.

Investment Management Agreement, June 2014, Clauses 1.1 and Item 6 of Schedule 1.

Investment Management Agreement, June 2015, Clauses 1.1 and 3(d).

Investment Management Agreement, June 2016, Clauses 1.1 and 3(d).

84. ~~At all Material Times, a~~The majority of SIO Investors elected not to pay the Annual Property Management Fee and Rent pursuant to the option referred to in paragraph 79(b) above.

Particulars

~~*The Applicants refer to and repeat the particulars to paragraph 91 below.*~~

TFS Corporation Limited, Offering Memorandum – US$250,000,000, 8.75% Senior Secured Notes due 2023 (20 July 2016) at pages 64 and 99.

Spreadsheet titled 'TFS Ltd Calculation of Deferred Fee Recognition (Book Purposes) as at 30 June 2015', Tab 'Deferred Recognition', Column BE (QIN.001.001.0045).

Spreadsheet titled 'TFS Ltd Calculation of Deferred Fee Recognition (Book Purposes) as at 30 June 2016', Tab 'Deferred Recognition', Column BE (EYQ.101.001.5755).

84A. On completion of an SIO Contract, an SIO Investor would receive a cash payment being the SIO Investor's share of proceeds on the sale of the harvest, called the Net Proceeds of Sale.

Particulars

Investment Management Agreement, June 2013, Clauses 1.1 and 4.7.

Investment Management Agreement, June 2014, Clauses 1.1 and 4.5.

Investment Management Agreement, June 2015, Clauses 1.1 and 6.5.

Investment Management Agreement, June 2016, Clauses 1.1 and 6.5.

Managed Investment Scheme (MIS) Product

85. ~~At all Material Times,~~During the period from about June 2000 until about June 2016 Quintis or a wholly owned subsidiary of Quintis entered into contracts with Australian retail investors (**MIS Contracts**), pursuant to which investors (**MIS Investors**) agreed to one of the two arrangement~~s~~ outlined in paragraphs 86 and 87 below.

86. The first arrangement provided that MIS Investors:

(a) were required to pay an Establishment Fee, one year's annual fee (**Upfront Annual Fee**) and one year's upfront rent (**Upfront Rent**), in exchange for:

(i) purportedly receiving an interest in 60 to 80% of the Gross Proceeds of Sale (depending on the specific project) from one Sandalwood Lot (being 1/12th of a hectare), less the Harvest and Processing Fee, Selling and Marketing Fee and Incentive Fee;

(ii) use of the land on which the lot was located;

(iii) Quintis agreeing to establish and maintain the Sandalwood plantation on the lot;

(iv) Quintis agreeing to Harvest the Sandalwood at maturity; and

(v) Quintis agreeing to provide Selling and Marketing Services in relation to the Sandalwood; and

(b) had the option to pay an Annual Fee and Rent for each year of the investment, in exchange for receiving an additional interest, of between 1% and 3% per year, of the Gross Proceeds of Sale from the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and an Incentive Fee, but was not required to pay those amounts. Where an MIS Investor chose not to pay the Annual Fee and Rent in any given year, Quintis referred to this as a deferral of fees by the MIS Investor.

Particulars

TFS Sandalwood Project 2002 Product Disclosure Statement, clause 6.5

TFS Sandalwood Project 2004 Premium Grower Product Disclosure Statement, clauses 2.3(i), 2.4(iv)

TFS Sandalwood Project 2005 Product Disclosure Statement, clauses 2.3(a), 2.4(b)

TFS Sandalwood Project 2006 Product Disclosure Statement, clauses 2.3(a), 2.4(b)

TFS Sandalwood Project 2007 Product Disclosure Statement, clauses 2.3(a), 2.4(b)

TFS Sandalwood Project 2008 Product Disclosure Statement, Table 1 at "Fees and Costs Template" section, Table 3B

TFS Sandalwood Project 2009 Product Disclosure Statement, Table 1, pages 27 to 29 and page 30

TFS Sandalwood Project 2010 Product Disclosure Statement, page 27, Table 1, pages 32 to 33

TFS Sandalwood Project 2011 Product Disclosure Statement, page 31, Table 1, page 33, Table 3B, page 37

TFS Sandalwood Project 2012 Product Disclosure Statement, page 33, Table 1, pages 35 to 37, Table 3B, page 42

TFS Sandalwood Project 2013 Product Disclosure Statement, page 36, Table 1, pages 38 to 40, Table 3B, page 45

TFS Sandalwood Project 2014 Product Disclosure Statement, page 39, Table 1, pages 41 to 44, Table 3B, page 50

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, *pages 22-28*

Further particulars will be provided after further discovery is provided by Quintis

87. The second arrangement provided that MIS Investors:

(a) were required to pay an Establishment Fee, Upfront Annual Fee and Upfront Rent, in exchange for:

(i) purportedly receiving an interest in 100% of the Gross Proceeds of Sale from one Sandalwood Lot (being 1/12th of a hectare), less the Harvest and Processing Fee, Selling and Marketing Fee and Incentive Fee;

(ii) use of the land on which the lot was located;

(iii) Quintis agreeing to establish and maintain the Sandalwood plantation on the lot;

(iv) Quintis agreeing to Harvest the Sandalwood at maturity; and

(v) Quintis agreeing to provide Selling and Marketing Services in relation to the Sandalwood; and

(b) each year in which the MIS Investor elected not to pay an Annual Fee and Rent, Quintis would retain an interest, of between 1% and 3% per year, of the Gross Proceeds of Sale from the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and an Incentive Fee, up to 20%. Where an investor elected not to pay the Annual Fee and Rent, ~~T~~this was referred to by Quintis as a deferral of fees by the MIS Investor.

Particulars

TFS Sandalwood Project 2015 Product Disclosure Statement, pages 39-44

88. The “Establishment Fee” was said by Quintis to cover costs of seed acquisition and propagation of seedlings, ground preparation, weed control, planting, fertilising, irrigation costs and other plantation requirements.

Particulars

TFS Sandalwood Project 2002 Product Disclosure Statement, clause 6.5

TFS Sandalwood Project 2004 Premium Grower Product Disclosure Statement, clause 2.3(i)

TFS Sandalwood Project 2005 Product Disclosure Statement, clause 2.3(a)

TFS Sandalwood Project 2006 Product Disclosure Statement, clause 2.3(a)

TFS Sandalwood Project 2007 Product Disclosure Statement, clause 2.3(a)

TFS Sandalwood Project 2008 Product Disclosure Statement, clause 2.3(a)

TFS Sandalwood Project 2009 Product Disclosure Statement, page 30

TFS Sandalwood Project 2010 Product Disclosure Statement, page 34

TFS Sandalwood Project 2011 Product Disclosure Statement, page 34

TFS Sandalwood Project 2012 Product Disclosure Statement, page 38

TFS Sandalwood Project 2013 Product Disclosure Statement, page 41

TFS Sandalwood Project 2014 Product Disclosure Statement, page 45

TFS Sandalwood Project 2015 Product Disclosure Statement, pages 45 to 46

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, page 29

89. The “Annual Fee” was said by Quintis to cover ongoing annual costs of the Project which would include weeding, pruning, irrigation, growth and yield measurements, pest control

and management overheads, which would be provided throughout the term of the investment.

Particulars

TFS Sandalwood Project 2002 Product Disclosure Statement, clause 6.5

TFS Sandalwood Project 2004 Premium Grower Product Disclosure Statement, clause 2.3(ii)

TFS Sandalwood Project 2005 Product Disclosure Statement, clause 2.3(b)

TFS Sandalwood Project 2006 Product Disclosure Statement, clause 2.3(b)

TFS Sandalwood Project 2007 Product Disclosure Statement, clause 2.3(b)

TFS Sandalwood Project 2008 Product Disclosure Statement, clause 2.3(b)

TFS Sandalwood Project 2009 Product Disclosure Statement, page 31

TFS Sandalwood Project 2010 Product Disclosure Statement, page 35

TFS Sandalwood Project 2011 Product Disclosure Statement, page 35

TFS Sandalwood Project 2012 Product Disclosure Statement, page 39

TFS Sandalwood Project 2013 Product Disclosure Statement, page 42

TFS Sandalwood Project 2014 Product Disclosure Statement, page 46

TFS Sandalwood Project 2015 Product Disclosure Statement, page 46

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, page 31

90. The Annual Rent was said by Quintis to be for use of the land on which the lot was located for a 12 month period.

Particulars

TFS Sandalwood Project 2002 Product Disclosure Statement, clause 6.5

TFS Sandalwood Project 2004 Premium Grower Product Disclosure Statement, clause 2.4

TFS Sandalwood Project 2005 Product Disclosure Statement, clause 2.3

TFS Sandalwood Project 2006 Product Disclosure Statement, clause 2.3

TFS Sandalwood Project 2007 Product Disclosure Statement, clause 2.3

TFS Sandalwood Project 2008 Product Disclosure Statement, clause 2.3

TFS Sandalwood Project 2009 Product Disclosure Statement, page 31

TFS Sandalwood Project 2010 Product Disclosure Statement, page 35

TFS Sandalwood Project 2011 Product Disclosure Statement, page 35

TFS Sandalwood Project 2012 Product Disclosure Statement, page 40

TFS Sandalwood Project 2013 Product Disclosure Statement, page 43

TFS Sandalwood Project 2014 Product Disclosure Statement, page 47

TFS Sandalwood Project 2015 Product Disclosure Statement, page 47

TFS Indian Sandalwood Project 2016 Retail Investment Offer Product Disclosure Statement, page 31

91. ~~At all Material Times, a~~The majority of MIS Investors elected not to pay the Annual Fee and Annual Rent pursuant to the options referred to in paragraphs 86(b) and 87(b) above.

Particulars

~~TFS Corporation Limited, Offering Memorandum – US$250,000,000, 8.75% Senior Secured Notes due 2023 (20 July 2016) at pages 64 and 99~~

The Applicants refer to and repeat the particulars to paragraph 84 above.

~~*Further particulars will be provided following disclosure and expert evidence.*~~

91A. On Completion of an MIS Contract, an MIS Investor would receive a cash payment being the MIS Investor's share of proceeds on the sale of the harvest, called the Net Proceeds of Sale.

Particulars

TFS Sandalwood Project 2002 Product Disclosure Statement, Glossary, page 70

TFS Sandalwood Project 2004 Premium Grower Product Disclosure Statement, Glossary, page 68

TFS Sandalwood Project 2005 Product Disclosure Statement, Glossary, page 70

TFS Sandalwood Project 2006 Product Disclosure Statement, Glossary, page 81

TFS Sandalwood Project 2007 Product Disclosure Statement, Glossary, page 71

TFS Sandalwood Project 2008 Product Disclosure Statement, Glossary, page 66

TFS Sandalwood Project 2009 Product Disclosure Statement, Glossary, page 85

TFS Sandalwood Project 2010 Product Disclosure Statement, Glossary, page 88

TFS Sandalwood Project 2011 Product Disclosure Statement, Glossary, page 84

TFS Sandalwood Project 2012 Product Disclosure Statement, Glossary, page 90

TFS Sandalwood Project 2013 Product Disclosure Statement, Glossary, page 90

TFS Sandalwood Project 2014 Product Disclosure Statement, Glossary, page 92

TFS Sandalwood Project 2015 Product Disclosure Statement, Glossary, page 93

TFS Sandalwood Project 2016 Product Disclosure Statement, Glossary, page 88

Beyond Carbon (BC) Product

91B. During the period from about June 2009 until about June 2016, Quintis, or a wholly owned subsidiary of Quintis, entered into contracts with institutional investors (**BC Contracts**), pursuant to which:

(a) those institutional investors (**BC Investors**) acquired units in a trust for which a wholly owned Quintis subsidiary was the trustee;

(b) the trustee was required to pay an Establishment Fee on behalf of the BC Investor in exchange for:

(i) the trustee, on behalf of the BC Investor, receiving an interest in 100% of the Gross Proceeds of Sale less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee;

(ii) use of the land on which that Sandalwood was located for the purpose of the plantation;

(iii) Quintis agreeing to provide Establishment Services, Ongoing Plantation Management Services, Harvesting and Processing Services, and Ancillary Services; and

(iv) Quintis agreeing to Harvest the Sandalwood at maturity; and

(c) each year in which the trustee, on behalf of the BC Investor, elected not to pay an Annual Plantation Services Fee and an Annual Investment Management Fee, Quintis would retain an interest of between 0.67% and 3% in the Gross Proceeds of Sale from the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee up to between 15% and 22% depending on the deferral terms for the particular project.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Part A, clause 1; Part D, clauses 1.2, 1.3, Schedule 1, item 6.3, Schedule 2, items 1 to 5

BC Sale Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Clause 1.1, Annexure A and Annexure B

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Part A, clause 1; Part D, clauses 1.2, 1.3, Schedule 1, item 6.3, Schedule 2, items 1 to 5

BC Sale Agreement for Eagle Park Tree Trust dated 27 June 2013, Clause 1

Further particulars will be provided after further discovery is provided by Quintis

91C. The Establishment Services included seed acquisition and propagation, ground preparation, weed control, planting, fertilising, irrigation cost and other plantation requirements.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Schedule 2, item 1

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 1

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 1

Further particulars will be provided after further discovery is provided by Quintis

91D. The Ongoing Plantation Management Services included:

(a) managing weed control, pruning harvest and post-harvest activities;

(b) maintaining the land;

(c) managing weeds and controlling diseases on the property; and

(d) maintaining records of all harvests, measurement data and inventory,

to be provided throughout the term of the investment.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Schedule 2, item 2

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 2

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 2

Further particulars will be provided after further discovery is provided by Quintis

91E. The Harvest and Processing Services included oil extraction activities to a standard which met appropriate environment certification guidelines and to ensure compliance with applicable laws in relation to such activities.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Schedule 2, item 3

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 3

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 3

Further particulars will be provided after further discovery is provided by Quintis

91F. The Selling and Marketing Services included:

(a) maintaining an international list of potential buyers of sandalwood;

(b) advertising; and

(c) negotiating sales,

to be provided throughout the term of the investment but predominantly towards the end of the term of the investment.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Schedule 2, item 4

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 4

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 4

Further particulars will be provided after further discovery is provided by Quintis

91G. The Ancillary Services included annual reporting, complying with applicable laws, maintaining accounts and records and overseeing third parties' work, to be provided throughout the term of the investment.

Particulars

BC Lease and Management Agreement for BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Schedule 2, item 5

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 5

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Schedule 2, item 5

Further particulars will be provided after further discovery is provided by Quintis

91H. The majority of BC Investors elected not to pay the Annual Plantation Services Fee and the Annual Investment Services Fee pursuant to the option referred to in paragraph 91B above.

Particulars

The Applicants refer to and repeat the particulars to paragraph 84 above.

91I. On completion of a BC Contract, the trustee, on behalf of the BC Investor, would receive a cash payment being the BC Investor's share of proceeds on the sale of the harvest, called the Net Proceeds of Sale.

Particulars

BC Lease and Management Agreement for the BC Jaderberg NT 2016 Tree Trust dated 30 June 2015, Part A, clause 1

BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Part A, clause 1

BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015, Schedule A – Lease and Management Agreement, Part A, clause 1

Further particulars will be provided after further discovery is provided by Quintis

F. QUINTIS' FINANCIAL REPORTS

92. Between August 2015 and August 2016, Quintis lodged with the Australian Securities Exchange (**ASX**) and caused to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) financial reports for:

(a) the financial year ended 30 June 2015 (**FY15 Financial Report**); and

(b) the financial year ended 30 June 2016 (**FY16 Financial Report**).

Particulars

TFS Corporation Ltd Annual Financial Report for the year ended 30 June 2015 published on 31 August 2015

TFS Corporation Ltd Annual Financial Report for the year ended 30 June 2016 published on 26 August 2016

F.1 FY15 FINANCIAL REPORT: CONTENTS

93. On or around 30 August 2015, the Board of Directors of Quintis, including Mr Wilson, authorised the issuing of the FY15 Financial Report.

Particulars

FY15 Financial Report at page 32

94. The issuing of the FY15 Financial Report included:

(a) lodging it with the ASX;

(b) publishing it on the ASX Market Announcements Platform;

(c) publishing it on Quintis' website; and

(d) distributing it to Quintis' shareholders.

95. EY knew at the time the Board of Directors authorised the issuing of the FY15 Financial Report referred to in paragraph 93 above and at the time it issued the FY15 Audit Opinion referred to in paragraphs 108 and 109 below that:

(a) the FY15 Audit Opinion referred to in paragraphs 108 and 109 below would be included in the FY15 Financial Report; and

(b) Quintis would lodge with the ASX and cause to be published on the ASX Market Announcements Platform the FY15 Financial Report.

96. On or around 31 August 2015, as a result of the authorisation pleaded in paragraph 93 above, Quintis lodged with the ASX and caused to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) the FY15 Financial Report, including the FY15 Audit Opinion referred to in paragraphs 108 and 109 below.

Biological Assets

97. The FY15 Financial Report reported that Quintis':

(a) current biological assets had a value of $17,564,000;

(b) non-current biological assets had a value of $607,010,000;

(c) total biological assets had a value of $624,574,000 (**FY15 BA Carrying Value**);

(d) current assets had a value of $210,170,000; and

(e) non-current assets had a value of $963,165,000.

Particulars

FY15 Financial Report at pages 29 and 62

98. The FY15 Financial Report reported that the value of each of the classes of assets referred to in paragraphs 97(a), 97(b) and 97(c) above was measured at the Director's assessment of their fair value less cost to sell at each reporting date.

Particulars

FY15 Financial Report at page 35 (Note 1(g))

99. The valuation model used to derive the fair value of each of the classes of assets referred to in paragraphs 97(a), 97(b) and 97(c) above was a discounted cash flow model.

Particulars

FY15 Financial Report at page 63

100. The significant ~~unobservable~~ inputs into the model pleaded in paragraph 99 above ~~and reported as~~ used to derive the fair value of each of the classes of assets referred to in paragraphs 97(a), 97(b) and 97(c) above were that the:

(a) weighted average year of harvest for the Sandalwood trees was 15.6 years, being the weighted average of all sandalwood plantations with projected harvest years of between 14 and 16 years;

(b) weighted average heartwood production was 20.8 kg per tree at a moisture content of 25%, being the weighted average of predicted heartwood production for:

(i) trees harvested at 14 years of 15.4 kg per tree;

(ii) trees harvested at 15 years of 20 kg per tree; and

(iii) trees harvested at 16 years of 24.2 kg per tree;

(b1) expected heartwood yield per tree at harvest was based on the application of a yield curve to all trees, whereby:

(i) trees less than 5 years of age were all placed on a theoretical yield curve which assumed the tree to yield 100% of the predicted heartwood production of a tree harvested at 15 years;

(ii) trees aged 5 years or more were each assigned individual yield curves which predicted heartwood production at harvest, being a percentage of the theoretical yield curve, based on:

(A) data from tree growth obtained from annual tree counts, past harvests, trial results and sample testing; and

(B) judgements as to expected tree growth and heartwood yield for particular plantations provided by Quintis' head of research and development, Andrew Brown, following each annual tree count;

(c) projected oil content from the heartwood was 3.7% at a moisture content of 25%;

(d) estimated price of Sandalwood oil was $2,800 USD/kg;

(e) estimated cost of harvesting and processing was $16,000 per hectare and $207 per litre of oil;

(f) estimated marketing and sales costs were estimated at 5% of proceeds;

(g) harvesting and processing costs were held constant in real terms with an annual inflation rate of 3.0%;

(h) post-tax average real rate at which the net cash flows had been discounted was:

(i) 14% for trees aged 0 to 5 years;

(ii) 13% for trees aged 6 to 10 years; and

(iii) 12% for trees aged 11 years to harvest age~~.~~;

(i) predicted survival rate of 100% at a stocking rate of 420 stems per hectare at harvest; and

(j) an estimated foreign exchange rate of 0.77, being the spot rate.

Particulars

FY15 Financial Report at pages 63 to 64

TFS Tree Valuation Model 30.06.15 (QIN.001.001.0044)

FY15 TFS - Biological Assets Memo dated 22 July 2015 (EYQ.101.003.3276)

FY15 TFS Accounting Paper 2015 Tree Inventory Count Report dated 19 August 2015 (EYQ.101.003.3175)

Revaluation Gain

101. The FY15 Financial Report reported that Quintis had obtained a gain of $136,632,000 on revaluation of the Quintis Group's interest in Biological Assets in the financial year ended 30 June 2015 (**FY15 Revaluation Gain**).

Particulars

FY15 Financial Report at pages 8 and 55

Recognition of Establishment Fees ~~paid by SIO Investors and MIS Investors~~

102. The FY15 Financial Report recognised ~~the~~ Establishment Fees and land sales ~~payable by SIO Investors and MIS Investors~~, totalling approximately $79,647,000 (of total group revenue from ordinary activities of $178,107,000) as revenue, without any corresponding liability in the form of "unearned income" for the portion of those fees which related to services which had not yet been rendered (**FY-15 Recognised Establishment Fees**).

Particulars

FY15 Financial Report at page 80

Deferred Lease and Management Fees

103. The FY15 Financial Report reported that Quintis had intangible assets that included deferred lease and management fees and goodwill of $93,696,000 as at 30 June 2015 (**FY15 Deferred Lease & Management Fees**), of which:

(a) $66,924,000 was attributable to the accrued income receivable opening balance;

(b) $23,430,000 was attributable to recognition of deferred fees;

(c) $3,483,000 was attributable to an impairment recovery; and

(d) a negative amount of $141,000 was attributable to deferred fees realised upon harvest.

Particulars

FY15 Financial Report at pages 29, 43 and 64 to 65

Profit & Loss Statement and Balance Sheet Outcomes

104. Based on the valuation model pleaded in paragraph 99 above, the significant ~~unobservable~~ inputs pleaded in paragraph 100 above, and the recognition of the FY15 Recognised Establishment Fees and the FY15 Deferred Lease & Management Fees pleaded in paragraphs 102 and 103 above, the FY15 Financial Statements reported that as at 30 June 2015 Quintis':

(a) total assets had a value of $1,173,335,000; and

(b) net assets had a value of $574,523,000.

Particulars

FY15 Financial Report at page 29

The Applicants refer to and repeat the particulars to paragraphs 98, 99, 100, 102 and 103 above.

105. Based on the valuation model pleaded in paragraph 99 above, the significant ~~unobservable~~ inputs pleaded in paragraph 100 above, and the recognition of the FY15 Recognised Establishment Fees and the FY15 Deferred Lease & Management Fees pleaded in paragraphs 102 and 103 above, the FY15 Financial Statements reported that Quintis had a post-tax profit for the financial year ended 30 June 2015 of $113,021,000, which included the FY15 Revaluation Gain.

Particulars

FY15 Financial Report at page 28

The Applicants refer to and repeat the particulars to paragraphs 98, 99, 100 and 101 above.

Authorisation, Basis of Preparation and Opinions

106. The FY15 Financial Report contained a declaration (**FY15 Directors' Declaration**) that, in the Directors' opinion, the financial statements and notes contained in the FY15 Financial Report had been prepared in accordance with:

(a) the requirements of the Corporations Act; and

(b) Accounting Standards and other authoritative pronouncements of the AASBs.

Particulars

FY15 Financial Report at page 26

107. The FY15 Directors' Declaration pleaded in paragraph 106 above was signed by Mr Gooding as Chairman of the Board of Quintis on behalf of himself and on behalf of each of the other Directors of Quintis, including Mr Wilson.

Particulars

FY15 Financial Report at page 26

108. The FY15 Financial Report included EY's audit opinion (**FY15 Audit Opinion**), to the effect that, in the opinion of each of Mr Dachs and EY, the FY15 Financial Report was in accordance with the Corporations Act, including by:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(b) complying with the Accounting Standards~~, including the Accounting Standards pleaded in paragraphs 21 to 29 above~~.

Particulars

The FY15 Audit Opinion is contained in two un-numbered pages following page 93 of the FY15 Financial Report.

109. The FY15 Audit Opinion pleaded in paragraph 108 above was signed by Mr Dachs on behalf of EY.

F.2 FY15 FINANCIAL REPORT: REPRESENTATIONS CONVEYED

Quintis' FY15 Financial Report Representation

110. By lodging the FY15 Financial Report, which contained the FY15 Directors' Declaration pleaded in paragraph 106 above, with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 94 above, Quintis represented to members and potential investors in Quintis that the FY15 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis (the **Quintis FY15 Financial Report Representation**).

Quintis' FY15 Assets Representation

111. By lodging the FY15 Financial Report with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 94 above, in circumstances where the FY15 Financial Report reported the matters pleaded in paragraph 104 above, Quintis represented to members and potential investors in Quintis that, as at 30 June 2015, Quintis had:

(a) total assets of $1,173,335,000; and

(b) net assets of $574,523,000,

(the **Quintis FY15 Assets Representation**).

Quintis' FY15 Profit Representation

112. By lodging the FY15 Financial Report with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 94 above, in circumstances where the FY15 Financial Report reported the matters pleaded in paragraph 105 above, Quintis represented to members and potential investors in Quintis that Quintis had a post-tax profit for the financial year ended 30 June 2015 of $113,021,000 (the **Quintis FY15 Profit Representation**).

Mr Wilson's FY15 Financial Report Representation

113. By making the FY15 Directors' Declaration pleaded in paragraph 106 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that the FY15 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis.

114. Further, by making the FY15 Directors' Declaration pleaded in paragraph 106 above, Mr Wilson communicated and represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 113 above was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson (**Mr Wilson's FY15 Financial Report Representation**).

Mr Wilson's FY15 Assets Representation

115. By authorising the issuing of the FY15 Financial Report as pleaded in paragraph 93 above in circumstances where the FY15 Financial Report reported the matters pleaded

in paragraph 104 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that, as at 30 June 2015, Quintis had:

(a) total assets of $1,173,335,000; and

(b) net assets of $574,523,000.

116. Further, by authorising the issuing of the FY15 Financial Report as pleaded in paragraph 93 above, Mr Wilson represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 115 above resulted from the application of the Accounting Standards ~~pleaded in paragraphs 20 to 29 above~~ and was held on a reasonable basis and was the product of the application of reasonable care and skill by each relevant Director, including Mr Wilson (**Mr Wilson's FY15 Assets Representation**).

Mr Wilson's FY15 Profit Representation

117. By authorising the issuing of the FY15 Financial Report as pleaded in paragraph 93 above in circumstances where the FY15 Financial Report reported the matters pleaded in paragraph 105 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that Quintis had a post-tax profit for the financial year ended 30 June 2015 of $113,021,000.

118. Further, by authorising the issuing of the FY15 Financial Report as pleaded in paragraph 93 above, Mr Wilson represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 117 above resulted from the application of the Accounting Standards ~~pleaded in paragraphs 20 to 29 above~~ and was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson (**Mr Wilson's FY15 Profit Representation**).

EY's FY15 Financial Report Representation

119. By issuing the FY15 Audit Opinion pleaded in paragraph 108 above in the circumstances pleaded in that paragraph, EY and Mr Dachs represented to members and potential investors in Quintis that each was of the opinion that the FY15 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis.

120. Further, by issuing the FY15 Audit Opinion pleaded in paragraph 108 above in the circumstances pleaded in that paragraph, EY and Mr Dachs represented to members and potential investors in Quintis that the opinions pleaded in paragraph 119 above were:

(a) opinions held on a reasonable basis and the product of the application of reasonable care and skill by EY and Mr Dachs; and/or

(b) formed after EY and Mr Dachs had conducted an audit in accordance with the Auditing Standards ~~including those pleaded in paragraphs 42 to 65 above~~.

(together the **EY FY15 Financial Report Representation**).

F.3 FY16 FINANCIAL REPORT: CONTENTS

121. On or around 25 August 2016, the Board of Directors of Quintis, including Mr Wilson, authorised the issuing of the FY16 Financial Report.

Particulars

FY16 Financial Report at page 33

122. The issuing of the FY16 Financial Report included:

(a) lodging it with the ASX;

(b) publishing it on the ASX Market Announcements Platform;

(c) publishing it on Quintis' website; and

(d) distributing it to Quintis' shareholders.

123. EY knew at the time the Board of Directors authorised the issuing of the FY16 Financial Report referred to in paragraph 121 above and at the time it issued the FY16 Audit Opinion referred to in paragraphs 136 and 137 below that:

(a) the FY16 Audit Opinion referred to in paragraphs 136 and 137 below would be included in the FY16 Financial Report; and

(b) Quintis would lodge with the ASX and cause to be published on the ASX Market Announcements Platform the FY16 Financial Report.

124. On or around 26 August 2016, as a result of the authorisation pleaded in paragraph 121 above Quintis lodged with the ASX and caused to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) the FY16 Financial Report, including the FY16 Audit Opinion referred to in paragraphs 136 and 137 below.

Biological Assets

125. The FY16 Financial Report reported that Quintis':

(a) current biological assets had a value of $28,247,000;

(b) non-current biological assets had a value of $742,961,000;

(c) total biological assets had a value of $771,208,000 (**FY16 BA Carrying Value**);

(d) current assets had a value of $248,226,000; and

(e) non-current assets had a value of $1,243,732,000.

Particulars

FY16 Financial Report at pages 30 and 62

126. The FY16 Financial Report reported that the value of each of the classes of assets referred to in paragraphs 125(a), 125(b) and 125(c) above was measured at the Directors' assessment of their fair value less cost to sell at each reporting date.

Particulars

FY16 Financial Report at page 37

127. The valuation model used to derive the fair value of each of the classes of assets referred to in paragraphs 125(a), 125(b) and 125(c) above was a discounted cash flow model.

Particulars

FY16 Financial Report at page 63

128. The significant ~~unobservable~~ inputs into the model pleaded in paragraph 127 above ~~and which the FY16 Financial Report reported were~~ used to derive the fair value of each of the classes of assets referred to in paragraphs 125(a), 125(b) and 125(c) above were that the:

(a) weighted average year of harvest for the Sandalwood trees was 15.6 years, being the weighted average of all sandalwood plantations with projected harvest years of between 14 and 16 years;

(b) weighted average heartwood production was ~~19.6~~ 20.8 kg per tree at a moisture content of 25%, being the weighted average of predicted heartwood production for:

(i) trees harvested at 14 years of 15.4 kg per tree;

(ii) trees harvested at 15 years of 20 kg per tree; and

(iii) trees harvested at 16 years of 24.2 kg per tree;

(b1) expected heartwood yield per tree at harvest was based on the application of a yield curve to all trees, whereby:

(i) trees less than 5 years of age were all placed on a theoretical yield curve which assumed the tree to yield 100% of the predicted heartwood production of a tree harvested at 15 years;

(ii) trees aged 5 years or more were each assigned individual yield curves which predicted heartwood production at harvest, being a percentage of the theoretical yield curve, based on:

(A) data from tree growth obtained from annual tree counts, past harvests, trial results and sample testing; and

(B) judgements as to expected tree growth and heartwood yield for particular plantations provided by Quintis' head of research and development, Andrew Brown, following each annual tree count;

(c) projected oil content from the heartwood was 3.7% at a moisture content of 25%;

(d) estimated price of sandalwood oil was $2,800 USD/kg;

(e) estimated cost of harvesting and processing was $16,000 per hectare and $207 per litre of oil;

(f) estimated marketing and sales costs were estimated at 5% of proceeds;

(g) harvesting and processing costs were held constant in real terms with an annual inflation rate of 3.0%;

(h) post-tax average real rate at which the net cash flows had been discounted was:

(i) 14% for trees aged 0 to 5 years;

(ii) 13% for trees aged 6 to 10 years; and

(iii) 12% for trees aged 11 years to harvest age~~.~~;

(i) predicted survival rate of 100% at a stocking rate of 420 stems per hectare at harvest; and

(j) an estimated foreign exchange rate of 0.73, being the forward rate.

Particulars

~~*FY16 Financial Report at page 63*~~

TFS Tree Valuation Model 30.06.16 (EYQ.101.001.1660)

FY16 TFS - Biological Assets Memorandum dated 15 August 2016 (EYQ.101.001.1184)

2016 Tree Valuation Model Policy Memorandum dated 15 August 2016 (QIN.001.001.0024)

FY16 TFS Biological Asset Management Expert Tree Count Report dated 11 August 2016 (EYQ.101.001.1997)

Revaluation Gain

129. The FY16 Financial Report reported that Quintis had obtained a gain of $76,893,000 on revaluation of the Quintis Group's interest in Biological Assets in the financial year ended 30 June 2016 (**FY16 Revaluation Gain**).

Particulars

FY16 Financial Report at pages 7 and 54

Recognition of Establishment Fees ~~paid by SIO Investors and MIS Investors~~

130. The FY16 Financial Report recognised ~~the~~ Establishment Fees ~~payable by SIO Investors and MIS Investors~~, totalling approximately $94,966,000 (of total group revenue from ordinary activities of $191,702,000) as revenue, without any corresponding liability in the form of "unearned income" for the portion of those fees which related to services which had not yet been rendered (**FY-16 Recognised Establishment Fees**).

Particulars

FY16 Financial Report at page 81

Deferred Lease and Management Fees

131. The FY16 Financial Report reported that Quintis had intangible assets that included deferred lease and management fees of $109,507,000 as at 30 June 2016 (**FY16 Deferred Lease & Management Fees**), of which:

(a) $93,696,000 was attributable to the opening balance;

(b) $21,970,000 was attributable to recognition of deferred fees; and

(c) negative amounts of $3,699,000, $422,000 and $2,038,000 were attributable to an impairment allowance, deferred fees realised and deferred fees attributable upon a tree buy back scheme (respectively).

Particulars

FY16 Financial Report at pages 30, 44 and 65

Profit & Loss Statement and Balance Sheet Outcomes

132. Based on the valuation model pleaded in paragraph 127 above, the significant ~~unobservable~~ inputs pleaded in paragraph 128 above, and the recognition of the FY16 Recognised Establishment Fees and FY16 Deferred Lease & Management Fees pleaded in paragraphs 130 and 131 above, the FY16 Financial Statements reported that at as 30 June 2016 Quintis':

(a) total assets had a value of $1,491,958,000; and

(b) net assets had a value of $747,222,000.

Particulars

FY16 Financial Report at page 30

The Applicants refer to and repeat the particulars to paragraphs 126, 127, 128 130 and 131 above.

133. Based on the valuation model pleaded in paragraph 127 above, the significant ~~unobservable~~ inputs pleaded in paragraph 128 above, and the recognition of the FY16 Recognised Establishment Fees and FY16 Deferred Lease & Management Fees pleaded in paragraphs 130 and 131 above, the FY16 Financial Statements reported that Quintis had a post-tax profit for the financial year ended 30 June 2016 of $90,143,000.

Particulars

FY16 Financial Report at page 29

The Applicants refer to and repeat the particulars to paragraphs 126, 127, 128 and 132 above.

Authorisation, Basis of Preparation and Opinions

134. The FY16 Financial Report contained a declaration (**FY16 Directors' Declaration**) that, in the directors' opinion, the financial statements and notes contained in the FY16 Financial Report had been prepared in accordance with:

(a) the requirements of the Corporations Act; and

(b) Accounting Standards.

Particulars

FY16 Financial Report at page 28

135. The FY16 Directors' Declaration pleaded in paragraph 134 above was signed by Mr Gooding as Chairman of the Board of Quintis on behalf of himself and on behalf of the other Directors of Quintis, including Mr Wilson.

136. The FY16 Financial Report contained EY's audit opinion (**FY16 Audit Opinion**) to the effect that, in the opinion of each of Mr Lewsen and EY, the FY16 Financial Report was in accordance with the Corporations Act, including by:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with the Accounting Standards~~, including the Accounting Standards pleaded in paragraphs 21 to 29 above~~.

Particulars

The FY16 Audit Opinion is contained in two un-numbered pages following page 101 of the FY16 Financial Report.

137. The FY16 Audit Opinion pleaded <u>in</u> paragraph 136 above was signed by Mr Darren Lewsen on behalf of EY.

F.4 FY16 FINANCIAL REPORT: REPRESENTATIONS CONVEYED

Quintis' FY16 Financial Report Representation

138. By lodging the FY16 Financial Report, which contained the FY16 Directors' Declaration pleaded in paragraph 134 above with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 124 above, Quintis communicated and represented to members, investors and potential investors in Quintis that the FY16 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis (the **Quintis FY16 Financial Report Representation**).

Quintis' FY16 Assets Representation

139. By lodging the FY16 Financial Report with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 124, in circumstances where the FY16 Financial Report reported the matters pleaded in paragraph 132 above, Quintis represented to members and potential investors in Quintis that, as at 30 June 2016, Quintis had:

(a) total assets of $1,491,958,000; and

(b) net assets of $747,222,000,

(the **Quintis FY16 Assets Representation**).

Quintis' FY16 Profit Representation

140. By lodging the FY16 Financial Report with the ASX and causing it to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) as pleaded in paragraph 124 above, in circumstances where the FY16 Financial Report reported the matters pleaded in paragraph 133 above, Quintis represented to members and potential investors in Quintis that Quintis had a post-tax profit for the financial year ended 30 June 2016 of $90,143,000 (the **Quintis FY16 Profit Representation**).

Mr Wilson's FY16 Financial Report Representation

141. By making the FY16 Directors' Declaration pleaded in paragraph 134 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that the FY16 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis.

142. Further, by making the FY16 Directors' Declaration pleaded in paragraph 134 above, Mr Wilson represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 141 above was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson (**Mr Wilson's FY16 Financial Report Representation**).

Mr Wilson's FY16 Assets Representation

143. By authorising the issuing of the FY16 Financial Report as pleaded in paragraph 121 above in circumstances where the FY16 Financial Report reported the matters pleaded

in paragraph 132 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that, as at 30 June 2016 Quintis had:

(a) total assets of $1,491,958,000; and

(b) net assets of $747,222,000.

144. Further, by authorising the issuing of the FY16 Financial Report as pleaded in paragraph 121 above in circumstances where the FY16 Financial Report reported the matters pleaded in paragraph 132 above Mr Wilson represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 143 above resulted from the application of the Accounting Standards ~~pleaded in paragraphs 20 to 29 above~~ and was held on a reasonable basis and was the product of the application of reasonable care and skill by each relevant Director, including Mr Wilson (**Mr Wilson's FY16 Assets Representation**).

Mr Wilson's FY16 Profit Representation

145. By authorising the issuing of the FY16 Financial Report as pleaded in paragraph 121 above in circumstances where the FY16 Financial Report reported the matters pleaded in paragraph 133 above, Mr Wilson represented to members and potential investors in Quintis that he was of the opinion that Quintis had a post-tax profit for the financial year ended 30 June 2016 of $90,143,000.

146. Further, by authorising the issuing of the FY16 Financial Report as pleaded in paragraph 121 above in circumstances where the FY16 Financial Report reported the matters pleaded in paragraph 133 above, Mr Wilson represented to members and potential investors in Quintis that the opinion he held as pleaded in paragraph 145 above resulted from the application of the Accounting Standards ~~pleaded in paragraphs 20 to 29 above~~ and was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson (**Mr Wilson's FY16 Profit Representation**).

EY's FY16 Financial Report Representation

147. By issuing the FY16 Audit Opinion pleaded in paragraph 136 above in the circumstances pleaded in that paragraph, EY and Mr Lewsen represented to members and potential investors in Quintis that each was of the opinion that the FY16 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis.

148. Further, by issuing the FY16 Audit Opinion pleaded in paragraph 136 above in the circumstances pleaded in that paragraph, EY and Mr Lewsen represented to members and potential investors in Quintis that the opinions pleaded in paragraph 147 above were:

(a) opinions held on a reasonable basis and the product of the application of reasonable care and skill by EY and Mr Lewsen; and/or

(b) formed after EY and Mr Lewsen had conducted an audit in accordance with the Auditing Standards ~~including those pleaded in paragraphs 42 to 65 above (save for the standard pleaded in paragraphs 55 to 57 above~~),

(together the **EY FY16 Financial Report Representation**).

G. BIOLOGICAL ASSETS: REASONABLENESS OF ASSUMPTIONS

~~G.1 FAIR VALUE MODEL: BIOLOGICAL ASSUMPTIONS~~

~~149. Between 2002 and 2017 Quintis issued Annual Financial Reports in respect of each MIS project to the MIS Investors in that project, which included a valuation of the relevant project's Sandalwood trees derived from the Directors' assessment of their fair value less cost to sell at each reporting date.~~

~~150. The heartwood yield assumptions used by Quintis to value the Sandalwood trees for the purposes of reporting to MIS Investors were materially less than the weighted average heartwood production of 20.8 kg and 19.6kg per Sandalwood tree assumed as unobservable inputs in the FY15 Financial Report and FY16 Financial Report (respectively), as pleaded in paragraphs 100(b) and 128(b) above.~~

~~Particulars~~

~~**Project**~~	~~**Year Planted**~~	~~**Projected heartwood yield assumed in 2012**~~	~~**Projected heartwood yield assumed in 2013**~~	~~**Projected heartwood yield assumed in 2014**~~	~~**Projected heartwood yield assumed in 2015**~~	~~**Projected heartwood yield assumed in 2016**~~
~~TFS Sandalwood Project (**TFS SP**) 2015~~	~~2016~~				~~n/a~~	~~15.7kg~~
~~TFS SP 2014~~	~~2015~~			~~n/a~~	~~15.7kg~~	~~15.7kg~~
~~TFS SP 2013~~	~~2014~~		~~n/a~~	~~n/a~~	~~15.7kg~~	~~15.7kg~~

~~TFS SP 2012~~	~~2013~~	~~n/a~~	~~n/a~~	~~15.7kg~~	~~15.7kg~~	~~15.7kg~~
~~TFS SP 2011~~	~~2012~~	~~n/a~~	~~15.7kg~~	~~15.7kg~~	~~15.7kg~~	~~15.7kg~~
~~TFS SP 2010~~	~~2011~~		~~15.7kg~~	~~15.7kg~~	~~15.7kg~~	~~14.8kg~~
~~TFS SP 2009~~	~~2010~~		~~15.7kg~~	~~15.7kg~~	~~15.7kg~~	~~13.3kg~~
~~TFS SP 2008~~	~~2008 and 2009~~		~~15.7kg~~	~~12kg~~	~~12.1kg~~	~~12.1kg~~
~~TFS SP 2007~~	~~2008~~	~~22.8kg~~	~~10.8kg~~	~~10.8kg~~	~~10.5kg~~	~~10.5kg~~
~~TFS SP 2006~~	~~2006, 2007 and 2008~~	~~22.9kg~~	~~10.1kg~~	~~9.9kg~~	~~8.7kg~~	~~8.7kg~~
~~TFS SP 2005~~	~~2006~~	~~25kg~~	~~9.2kg~~	~~8.2kg~~	~~8.5kg~~	~~8.7kg~~
~~TFS SP 2004~~	~~2004, 2005, 2006 replanted in 2007~~	~~25kg~~	~~9.3kg~~	~~7.8kg~~	~~7.6kg~~	~~7.7kg~~
~~TFS Premium Sandalwood Project 2004~~	~~2004 and 2005 replanted in 2007~~	~~25kg~~	~~10.3kg~~	~~9.3kg~~	~~8.4kg~~	~~8.4kg~~
~~TFS SP 2003~~	~~2003 and 2004~~	~~25kg~~	~~12.6kg~~	~~12.6kg~~	~~10.9kg~~	~~10.9kg~~
~~TFS Gold Card Sandalwood Project 2003~~	~~2003 and 2004~~	~~25kg~~	~~11.3kg~~	~~11.2kg~~	~~10.6kg~~	~~10.6kg~~
~~TFS SP 2002~~	~~2002 and 2003~~	~~25kg~~	~~12.7kg~~	~~12.7kg~~	~~10.5kg~~	~~10.5kg~~

~~G.2 FAIR VALUE MODEL: NON-BIOLOGICAL ASSUMPTIONS~~

~~Sale Price for Sandalwood Trees~~

~~151. On or around 13 September 2013 Quintis lodged with the ASX and caused to be published on the ASX Market Announcements Platform (and on its own website, and to its shareholders) its financial report for the financial year ended 30 June 2013 (**FY13 Financial Report**).~~

~~Particulars~~

~~TFS Corporation Ltd Annual Financial Statements for the year ended 30 June 2013 published on 13 September 2013~~

~~152. The FY13 Financial Report reported that Quintis had realised a gain on settlement of a trade debtor in the amount of $50,506,000 during the financial year ended 30 June 2013.~~

~~Particulars~~

~~FY13 Financial Report at page 62 (Note 31)~~

~~153. On or around 30 June 2013, a wholesale investor owing $34,800,000 to Quintis failed to settle, or otherwise terminated, its purchase of 580 hectares of Sandalwood plantation referred to in paragraph 152 above.~~

~~Particulars~~

~~FY13 Financial Report at page 62 (Note 31)~~

~~154. On or around 30 June 2013, Quintis reclaimed those 580 hectares of Sandalwood plantation as full settlement for the transaction.~~

~~Particulars~~

~~FY13 Financial Report at page 62 (Note 31)~~

~~155. Quintis applied a valuation model in materially similar terms to the valuation models pleaded in paragraphs 99 and 127 above, using assumptions in materially similar terms to the assumptions pleaded in paragraphs 100 and 128 above, to derive a fair value for the reclaimed Sandalwood plantation pleaded in paragraph 154 above of $85,310,000.~~

~~Seedlings and saplings~~

~~156. At all Material Times, the condition and physical characteristics of Sandalwood seedlings or saplings owned and managed by Quintis did not relevantly change immediately after they were planted.~~

~~157. At all Material Times, the price that would have been received to sell Sandalwood seedlings or saplings owned and managed by Quintis in an orderly transaction with a market participant did not relevantly increase immediately after they were planted.~~

~~158. Quintis used a valuation model that attributed a value to saplings once planted that significantly exceeded the value of unplanted saplings.~~

G.3 FY17 FINANCIAL REPORT: PARTIAL CORRECTION OF ASSUMPTIONS

159. On or around 14 November 2017 Quintis lodged with the ASX and caused to be published on the ASX Market Announcements Platform its annual report which included its financial report for the financial year ended 30 June 2017 (**FY17 Financial Report**).

Particulars

Quintis Ltd (formerly TFS Corporation Ltd) Annual Report for the year ended 30 June 2017 published on 14 November 2017

160. The FY17 Financial Report reported that the biological assets of the Quintis Group experienced a $307,371,000 loss on revaluation, excluding the interests of MIS Investors.

Particulars

FY17 Financial Report at page 76 (Note 11)

161. The reported $307,371,000 loss on revaluation of biological assets referred to in paragraph 160 above was driven primarily by changes in the significant ~~key~~ inputs into the valuation models pleaded in paragraphs 99 and 127 above.

Particulars

FY17 Financial Report at pages 9 and 76

162. For the purposes of the FY17 Financial Report, the significant ~~unobservable~~ inputs pleaded in paragraphs 100(h) and 128(h) above were varied so that the pre-tax average real rate at which the net cash flows were discounted was:

(a) 17% for trees aged 0 to 5 years;

(b) 16% for trees aged 6 to 10 years; and

(c) 15% for trees aged 11 years to harvest age.

Particulars

FY17 Financial Report at page 76 (Note 11)

163. For the purposes of the FY17 Financial Report, the significant ~~unobservable~~ inputs pleaded in paragraphs 100(b) and 128(b) above were varied to assume weighted average heartwood production was 14.6 kg per tree at a moisture content of 25%.

Particulars

FY17 Financial Report at page 76 (Note 11)

164. The FY17 Financial Report did not identify any event, that had occurred ~~in~~ since the FY16 Financial Report was issued, which caused the changes to the significant ~~unobservable~~ inputs pleaded in paragraphs 162 and 163 above.

165. The FY17 Financial Report reported an impairment charge of $29,886,000 in respect of a decline in the recoverable amount of deferred lease and management fees.

Particulars

FY17 Financial Report at page 81 (Note 13)

H. BIOLOGICAL ASSETS & CONTRACTS: QUINTIS' ACCOUNTING TREATMENT

H.1 CARRYING VALUES FOR BIOLOGICAL ASSETS

166. In the:

(a) FY15 Financial Report, Quintis recognised the FY15 BA Carrying Value and the FY15 Revaluation Gain; and

(b) FY16 Financial Report, Quintis recognised the FY16 BA Carrying Value and the FY16 Revaluation Gain.

167. The FY15 BA Carrying Value and the FY15 Revaluation Gain were derived by the application of the discounted cash flow model pleaded in paragraph 99 above, based on the significant ~~unobservable~~ inputs pleaded in paragraph 100 above.

168. The FY16 BA Carrying Value and the FY16 Revaluation Gain were derived by the application of the discounted cash flow model pleaded in paragraph 127 above, based on the significant ~~unobservable~~ inputs pleaded in paragraph 128 above.

169. The discounted cash flow model~~s~~ used to derive the FY15 BA Carrying Value and the FY15 Revaluation Gain pleaded in paragraph~~s~~ 99 ~~and 127~~ above adopted assumptions of ~~unobservable~~ inputs, as pleaded in paragraph~~s~~ 100 ~~and 128~~ above, that:

(a1) assumed a tree survival rate of 100% at a density of 420 stems per hectare at harvest, which:

(i) did not take into account data from existing plantations and past harvests indicating materially lower survival rates;

(ii) included a number of plantations which assumed a density of greater than 420 stems per hectare; and

(iii) was not realistic or achievable given the lifecycle of a sandalwood tree and scientific evidence indicating a materially lower survival rate and projected density at harvest;

(a2) assumed predicted heartwood yield per tree at harvest that was materially higher than what a market participant would have assumed;

(a3) assigned a yield curve for:

(i) trees under 5 years of age that assumed the trees achieving 100% of the predicted heartwood yield at harvest; and

(ii) trees 5 years of age and older that assumed the tree achieving heartwood yield as a percentage of the theoretical yield of a trees under 5 years of age,

which did not accurately represent the biological assets in their current location and condition;

(a4) assumed a projected oil content at harvest which was not realistic or achievable and exceeded what a market participant would have assumed;

(a5) understated the cost of processing per litre of sandalwood oil; and

(a6) applied an incorrect spot foreign exchange rate of 0.77 rather than the correct future rate for sandalwood sales; and

~~(a) assigned a value to recently planted seedlings and saplings that substantially exceeded the value of those seedlings and saplings in their current location and condition;~~

~~(b) assumed a weighted average heartwood yield per tree that was materially higher than the weighted average heartwood yield per tree that Quintis projected in communications to MIS Investors, as pleaded in paragraphs 149 to 150 above;~~

~~(c) produced a value inconsistent with the known market evidence as pleaded in paragraphs 152 to 155 above; and~~

(d) applied ~~a~~ discount rates that ~~was~~ were too low, which did not reflect the risk premium associated with forecasting cashflows for production of sandalwood oil.

Particulars

The true position was approximately:

(i) as to subparagraph (a1): survival rate of 56% at a stocking rate of 420 stems per hectare;

(ii) as to subparagraphs (a2) and (a3): theoretical heartwood yield for a tree harvested at 14 years of 5.16 kg, at 15 years of 6.5 kg, and at 16 years of 7.95 kg;

(iii) as to subparagraph (a4): projected oil content from the heartwood of 3.3%;

(iv) as to subparagraph (a5): estimated cost of harvesting and processing at $229.72 per litre of oil;

(v) as to subparagraph (a6): foreign exchange rate of 0.73 for sandalwood sales; and

(vi) as to subparagraph (d): discount rates of 16% for trees aged 0 to 5 years, 15% for trees aged 6 to 10 years, and 14% for trees aged 11 years to harvest age.

The material particulars are further identified in the Report of Wayne Basford dated 4 March 2020 at paragraphs 1.1.11 and 1.1.12 at footnote 5; and the Report of Dr Elizabeth Barbour dated 25 February 2020 at paragraphs 188 to 198.

169A. The discounted cash flow model used to derive the FY16 BA Carrying Value and the FY16 Revaluation Gain pleaded in paragraph 127 above adopted assumptions of inputs, as pleaded in paragraph 128 above, that:

(a) assumed a tree survival rate of 100% at a density of 420 stems per hectare at harvest, which:

(i) did not take into account data from existing plantations and past harvests indicating materially lower survival rates;

(ii) included a number of plantations which assumed a density of greater than 420 stems per hectare; and

(iii) was not realistic or achievable given the lifecycle of a sandalwood tree and scientific evidence indicating a materially lower survival rate and projected density at harvest;

(b) assumed predicted heartwood yield per tree at harvest that was materially higher than what a market participant would have assumed;

(c) assigned a yield curve for:

(i) trees under 5 years of age that assumed the trees achieving 100% of the predicted heartwood yield at harvest; and

(ii) trees 5 years of age and older that assumed the trees achieving heartwood yield as a percentage of the theoretical yield of a tree under 5 years of age,

which did not accurately represent the biological assets in their current location and condition;

(d) assumed a projected oil content at harvest which was not realistic or achievable and exceeded what a market participant would have assumed;

(e) understated the cost of processing per litre of sandalwood oil; and

(f) applied discount rates that were too low, which did not reflect the risk premium associated with forecasting cashflows for production of sandalwood oil.

Particulars

The true position was approximately:

(i) as to subparagraph (a): survival rate of 56% at a stocking rate of 420 stems per hectare;

(ii) as to subparagraphs (b) and (c): theoretical heartwood yield for a tree harvested at 14 years of 5.16 kg, 15 years of 6.5 kg, and 16 years of 7.95 kg;

(iii) as to subparagraph (d): projected oil content from the heartwood of 3.3%;

(iv) as to subparagraph (e): estimated cost of harvesting and processing at $597 per litre of oil;

(v) as to subparagraph (f): discount rates of 16% for trees aged 0 to 5 years, 15% for trees aged 6 to 10 years, and 14% for trees aged 11 years to harvest age.

The material particulars are further identified in the Report of Wayne Basford dated 4 March 2020 at paragraphs 1.1.11 and 3.7.13; and the Report of Dr Elizabeth Barbour dated 25 February 2020 at paragraphs 188 to 198.

170. As a result of the matters pleaded in paragraphs 167 to 169A above, the Directors' assessments pleaded in paragraphs 98 and 126 above overstated the fair value of Quintis' biological assets in each of the FY15 Financial Report and FY16 Financial Report.

Particulars

~~*Further particulars will be provided after discovery and the service of expert evidence.*~~

In the FY15 Financial Report Quintis' biological assets were overstated by approximately $448,997,000: Report of Wayne Basford dated 4 March 2020 at paragraph 4.1.2 and 4.1.3.

In the FY16 Financial Report Quintis' biological assets were overstated by approximately $560,869,000: Report of Wayne Basford dated 4 March 2020 at paragraph 4.2.2 and 4.2.3.

171. Each of the FY15 Financial Report and the FY16 Financial Report did not comply with the requirement pleaded in paragraphs 22, 23 and 24 above because the models pleaded in paragraphs 99 and 127 above did not yield a value of biological assets that represented fair value, for the reasons pleaded in paragraphs 167 to 169A.

172. Each of the FY15 Financial Report~~s~~ and the FY16 Financial Report did not comply with the requirement pleaded in paragraph 23 above because the models pleaded in paragraphs 99 and 127 above did not yield a value of biological assets that represented the price that would be received to sell the biological assets in an orderly transaction between market participants at the measurement date, for the reasons pleaded in paragraphs 167 to 169A above.

173. Each of the FY15 Financial Report~~s~~ and the FY16 Financial Report did not comply with the requirement pleaded in paragraph 24 above because the models pleaded in paragraphs 99 and 127 above did not yield a value of biological assets that represented the price that would be received to sell the biological assets in their current location and condition, for the reasons pleaded in paragraphs 167 to 169A above.

174. The recognition of the FY15 BA Carrying Value and FY16 BA Carrying Value in the FY15 Financial Report and the FY16 Financial Report (respectively):

(a) on the basis of the models pleaded in paragraphs 99 and 127 above;

(b) in the circumstances pleaded in paragraphs 169 and 169A above,

had the effect of overstating the carrying value of the most valuable asset on Quintis' balance sheet in each of the relevant financial years and therefore overstating Quintis' assets in each of the relevant financial years.

175. The recognition of the FY15 Revaluation Gain and FY16 Revaluation Gain in the FY15 Financial Report and the FY16 Financial Report (respectively):

(a) on the basis of the models pleaded in paragraphs 99 and 127 above;

(b) in the circumstances pleaded in paragraphs 169 and 169A above,

had the effect of overstating the value of the gain recognised in respect of the increase in the fair value of Quintis' biological assets in the income statement in each of the relevant financial years and therefore overstating Quintis' income and profit in each of the relevant financial years.

176. By reason of the matters pleaded in paragraphs 166 to 175 above, each of the FY15 Financial Report and the FY16 Financial Report did not give a true and fair view of the financial position and financial performance of Quintis and did not comply with the requirements pleaded in paragraphs 17 and 20 above.

H.1A CONSOLIDATION OF CONTROLLED INVESTMENTS

176A. Further or in the alternative, Quintis did not consolidate the following investments:

(a) in the FY15 Financial Report:

(i) TFS 2000;

(ii) TFS 2002;

(iii) TFS 2008;

(iv) TFS 2009;

(v) TFS 2011;

(vi) TFS 2012;

(vii) TFS 2013;

(viii) TFS 2014;

(ix) BC 12 – JC2;

(x) BC 13 – JC; and

(xi) BC 14 – DK;

(together, **Unconsolidated FY15 Investments**);

(b) in the FY16 Financial Report:

(i) the investments pleaded in paragraph 176A(a)(i) to (xi) above; and

(ii) TFS 2015,

(together, **Unconsolidated FY16 Investments**).

176B. For the purposes of AASB 10, Quintis controlled the Unconsolidated FY15 Investments and the Unconsolidated FY16 Investments as a principal by reason of:

(a) its power over the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments;

(b) the quantum of its exposure to variable returns from the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments; and

(c) its ability to control the quantum of variable interest from the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments.

Particulars

(i) Quintis had power over the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments because it had sole responsibility for managing and controlling all elements of the sandalwood plantations, including planting, maintenance, husbandry and harvest of the sandalwood trees.

(ii) Quintis had exposure to variable returns from the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments because the deferral of Lease and Management Fees resulted in Quintis retaining at least 20% of the Gross Proceeds of Sale from the sandalwood plantations.

(iii) Quintis had the ability to control the quantum of variable returns from the Unconsolidated FY15 Investments and Unconsolidated FY16 Investments because of its role as the sole manager of the sandalwood plantations and because its management of those plantations directly impacted the returns it would receive from the Gross Proceeds of Sale.

(iv) The material particulars are further identified in the report of Wayne Basford dated 17 March 2020 at paragraphs 1.2.25 to 1.2.29, 3.3.7, and 3.6.3.

176C. In accordance with AASB 10, Quntis was required to present the financial statements for itself and all entities in the Quintis Group, including the FY15 Unconsolidated Investments and the FY16 Unconsolidated Investments, as those of a single economic entity.

176D. By not consolidating the FY15 Unconsolidated Investments and the FY16 Unconsolidated Investments the FY15 Financial Report and the FY16 Financial Report:

(a) materially overstated Quintis' intangible assets;

Particulars

(i) In the FY15 Financial Report Quintis materially overstated its intangible assets by approximately $82,142,868 attributable to unconsolidated MIS investments and $6,476,494 attributable to unconsolidated BC investments; and

(ii) In the FY16 Financial Report Quintis materially overstated its intangible assets by approximately $92,129,118 attributable to unconsolidated MIS investments and $9,176,381 attributable to unconsolidated BC investments.

(iii) The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.2.33 to 3.2.34, 3.4.51 to 3.4.62 and 3.6.13 to 3.6.16.

(b) materially understated liabilities to MIS Investors and BC Investors; and

Particulars

(i) In the FY15 Financial Report Quintis materially understated its liabilities to MIS Investors and BC Investors by approximately $483,842,682 attributable to unconsolidated MIS investments and $113,440,122 attributable to unconsolidated BC investments; and

(ii) In the FY16 Financial Report Quintis materially understated its liabilities to MIS Investors and BC Investors by approximately $544,336,736 attributable to unconsolidated MIS investments and $133,772,668 attributable to unconsolidated BC investments.

(iii) The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.2.33 to 3.2.34, 3.4.51 to 3.4.62 and 3.6.13 to 3.6.16.

(c) materially overstated revenue from Deferred Lease and Management Fees.

Particulars

(i) In the FY15 Financial Report Quintis materially overstated its revenue from Deferred Lease and Management Fees by approximately

$11,806,483 attributable to unconsolidated MIS investments and $3,764,000 attributable to unconsolidated BC investments; and

(ii) in the FY16 Financial Report Quintis materially overstated its revenue from Deferred Lease and Management Fees by approximately $3,527,043 attributable to unconsolidated MIS investments and $2,699,887 attributable to unconsolidated BC investments.

(iii) The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.4.51 to 3.4.62 and 3.6.13 to 3.6.16.

176E. By not consolidating the FY15 Unconsolidated Investments and the FY16 Unconsolidated Investments each of the FY15 Financial Report and the FY16 Financial Report did not give a true and fair view of the financial position and performance of Quintis and did not comply with the Accounting Standards.

H.1B APPLICATION OF AASB 132 TO MIS AND SIO CONTRACTS

176F. Further or in the alternative, Quintis applied AASB 117 and AASB 118 to the MIS Contracts and SIO Contracts in the FY15 Financial Report and the FY16 Financial Report.

176G. The MIS Contracts and SIO Contracts were financial instruments in accordance with AASB 132 because:

(a) the MIS Contracts and SIO Contracts gave the MIS Investors and SIO Investors the right to future cash payments in the form of the Net Proceeds of Sale;

(b) MIS Investors and SIO Investors received a share of a pooled harvest return rather than the proceeds from sale of trees harvested on a particular sandalwood lot acquired by the MIS Investor or SIO Investor; and

(c) Quintis retained continuing management involvement over the MIS Investors' and SIO Investors' investments to a degree usually associated with ownership and which gave it effective control over the investments.

Particulars

(i) *Quintis had an obligation to pay the MIS Investors and the SIO Investors the Net Proceeds of Sale under the MIS Contracts and SIO Contracts which was an obligation to provide cash payments.*

(ii) *The cash investment received from the MIS Investors and SIO Investors was a financial liability in accordance with AASB 132, paragraph 11.*

(iii) *The transactions with the MIS Investors and the SIO Investors did not constitute the sale of a good in accordance with AASB 118, paragraph 14 because Quintis did not transfer the risks and rewards of ownership to the MIS Investors and the SIO Investors as buyers, as Quintis remained involved in the management of the investments.*

(iv) *The transactions with the MIS Investors and SIO Investors were not leases in accordance with AASB 117, paragraph 4 because the investors did not obtain control of the asset, as the investments were structured such that the investors entered into a management agreement at the same time as a lease agreement with Quintis or a wholly owned subsidiary of Quintis, which resulted in Quintis retaining all managerial control over the property subject to the lease.*

(v) *The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.4 to 3.5.13.*

176H. In accordance with AASB 132, Quintis was required to:

(a) recognise cash received from MIS Investors and SIO Investors at cost;

(b) recognise a liability to MIS Investors and SIO Investors at fair value relating to the present value of the estimated cash to be distributed investors, being the Net Proceeds of Sale;

(c) not recognise any intangible assets for Deferred Lease and Mangement Fees; and

(d) not recognise any revenue for Establishment Fees.

Particulars

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.15 and 3.5.16.

176I. By not applying AASB 132 to the MIS Contracts and the SIO Contracts, the FY15 Financial Report and FY16 Financial Report:

(a) materially overstated Quintis' intangible assets;

Particulars

(i) *In the FY15 Financial Report Quintis materially overstated its intangible assets by approximately $82,142,868 attributable to the MIS Contracts and $3,446,911 attributable to the SIO Contracts; and*

(ii) In the FY16 Financial Report Quintis materially overstated its intangible assets by approximately $92,129,118 attributable to the MIS Contracts and $6,256,336 attributable to the SIO Contracts.

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.30 to 3.5.33.

(b) materially understated liabilities to MIS Investors and SIO Investors;

Particulars

(i) In the FY15 Financial Report Quintis materially understated its liabilities to MIS Investors and SIO Investors by approximately $510,036,465 attributable to the MIS Contracts and $120,588,571 attributable to the SIO Contracts; and

(ii) In the FY16 Financial Report Quintis materially understated its liabilities to MIS Investors and SIO Investors by approximately $577,833,348 attributable to the MIS Contracts and $256,576,365 attributable to the SIO Contracts.

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.30 to 3.5.33.

(c) materially overstated revenue from Deferred Lease and Management Fees; and

Particulars

(i) *In the FY15 Financial Report Quintis materially overstated its revenue from Deferred Lease and Management Fees by approximately $19,255,317 attributable to the MIS Contracts and $3,446,911 attributable to the SIO Contracts; and*

(ii) *In the FY16 Financial Report Quintis materially overstated its revenue from Deferred Lease and Management Fees by approximately $9,986,249 attributable to the MIS Contracts and $2,809,426 attributable to the SIO Contracts.*

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.30 to 3.5.33.

(d) materially overstated revenue from Establishment Fees.

Particulars

(i) *In the FY15 Financial Report Quintis materially overstated revenue from Establishment Fees by approximately $3,444,092 attributable to the MIS Contracts and $50,584,222 attributable to the SIO Contracts.*

(ii) *In the FY16 Financial Report Quintis materially overstated revenue from Establishment Fees by approximately $8,038,003 attributable to the MIS Contracts and $40,119,093 attributable to the SIO Contracts.*

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.5.30 to 3.5.33.

176J. By not applying AASB 132 to the MIS Contracts and the SIO Contracts, the FY15 Financial Report and the FY16 Financial Report did not give a true and fair view of the financial position and performance of Quintis and did not comply with the Accounting Standards.

H.2 RECOGNITION OF RECOGNISED ESTABLISHMENT FEES ~~PAID BY SIO INVESTORS AND MIS INVESTORS~~

177. ~~Further or I~~ In the alternative to paragraphs 176A to 176J pleaded above, in the:

(a) FY15 Financial Report Quintis recognised the FY15 Recognised Establishment Fees; and

(b) FY16 Financial Report Quintis recognised the FY16 Recognised Establishment Fees,

(together the **Recognised Establishment Fees**).

178. In the FY15 Financial Report and FY16 Financial Report, Quintis recognised the Recognised Establishment Fees as revenue when the Establishment Services were provided, being within two years of the payment of those fees.

179. For the purpose of AASB 118, the substance of the SIO Investors' investment was that they paid the Recognised Establishment Fees, in exchange for:

(a) receiving an interest in 80% of the the Gross Proceeds of Sale less the Costs of Harvest and Processing, the Selling and Marketing Fee and the Performance Fee;

(b) use of the land on which that Sandalwood was located for the purpose of the plantation;

~~(b)(a)~~(c) Quintis agreeing to Harvest the Sandalwood at maturity;

~~(c)~~(d) Quintis agreeing to provide Investment Services, Establishment Services, Property Management Services, and Selling and Marketing Services in relation to that Sandalwood; and

~~(d)~~(e) acquiring an option to pay an Annual Property Management Fee and an Annual Lease Fee for each year of the investment, in exchange for an additional interest of between 1% and 3% of the Gross Proceeds ~~of~~ from the Sale of the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee, up to 20%.

180. For the purpose of AASB 118, the substance of the MIS Investors' investment was that they paid the Recognised Establishment Fees, the Upfront Rent and the Upfront Annual Fee in exchange for:

(a) receiving an interest ~~in 81%~~of between 60% and 80% (depending on the particular project) of the Gross Proceeds of Sale from one Sandalwood Lot (being 1/12th of a hectare), less the Harvest and Processing Fee, Selling and Marketing Fee and Incentive Fee;

(b) use of the land on which the lot was located;

(c) Quintis agreeing to establish and maintain the Sandalwood plantation on the lot;

(d) Quintis agreeing to Harvest the Sandalwood at maturity;

(e) Quintis agreeing to provide Selling and Marketing Services in relation to the Sandalwood; and

(f) acquiring an option to pay an Annual Fee and Annual Rent for each year of the investment, in exchange for receiving an additional interest, of between 1% and 3%, of the Gross Proceeds of Sale from the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee, up to between 20% and 40% ~~19%~~.

180A. For the purposes of AASB 118, the substance of the BC Investors' investment was that they paid the Recognised Establishment Fees, in exchange for:

(a) receiving an interest of between 78% and 85% (depending on the deferral terms for the particular project) of the Gross Proceeds of Sale less the Costs of Harvest and Processing, the Selling and Marketing Fee and the Performance Fee;

(b) use of the land on which that Sandalwood was located for the purpose of the plantation;

(c) Quintis agreeing to Harvest the Sandalwood at maturity;

(d) Quintis agreeing to provide Establishment Services, Ongoing Plantation Management Services, Harvesting and Processing Services, and Ancillary Services; and

(e) acquiring an option to pay an Annual Plantation Services Fee and an Annual Investment Management Fee for each year of the investment, in exchange for an additional interest of between 0.67% and 3% of the Gross Proceeds from the Sale of the lot less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee between 15% to 22% (depending on the deferral terms for the particular project).

181. In accordance with AASB 117 and AASB 118, Quintis was required to attribute a portion of the Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, a portion of the Upfront Fees and Upfront Rent) to:

(a) the establishment services to be provided;

(b) the management services to be provided over 14 years;

(c) the selling and marketing services to be provided;

(d) rent over 14 years; and

(e) an option to acquire an additional ~~20%~~ interest in the lot.

182. In accordance with AASB 117 and AASB 118, Quintis was required to only recognise revenue for such parts of the Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the relevant portion of the Upfront Fees and Upfront Rent) as related to services when those services had been provided, and to only recognise the balance as deferred revenue.

183. The recognition of the Recognised Establishment Fees in the FY15 Financial Report and FY16 Financial Report without recognising an appropriate liability for "unearned income" had the effect of materially overstating the revenue of Quintis in those years.

184. By reason of the matters pleaded in paragraph 183 above, each of the FY15 Financial Report and the FY16 Financial Report did not give a true and fair view of the financial position and financial performance of Quintis and did not comply with the A~~a~~ccounting S~~s~~tandards ~~pleaded in paragraphs 0 to 29 above~~.

185. Further, Quintis was required in accordance with AASB 117 and AASB 118 and the Accounting Framework to recognise the payment of the Annual Property Management Fee and Annual Lease Fee paid by SIO Investors, ~~and~~ the Annual Fee and Annual Rent paid by MIS Investors and the Annual Plantation Services Fee and an Annual Investment Management Fee paid by the BC Investors) (**Option Fees**), in accordance with the substance of those transactions, which was that the Option Fees were paid by investors, in exchange for:

185.1 A part interest in the remaining portion of the Net Proceeds of Sale from the Sandalwood to which the relevant investment relates, being the Gross Proceeds of Sale, less the Costs of Harvest and Processing, the Selling and Marketing Fee and the Performance Fee or Incentive Fee of the lots the subject of the relevant investor's investment (**Additional Interest**);

185.2 In the case of SIO Investors:

(a) Use of the land on which the Sandalwood relating to the Additional Interest was located for the purpose of the plantation;

(b) Quintis agreeing to harvest the Sandalwood related to the Additional Interest at maturity; and

(c) Quintis agreeing to provide Investment Services, Property Management Services, and Selling and Marketing Services in relation to the Sandalwood relating to the Additional Interest;

185.3 In the case of MIS Investors:

(a) use of the land on which the lot related to the Additional Interest was located;

(b) Quintis agreeing to harvest the Sandalwood related to the Additional Interest at maturity; and

(c) Quintis agreeing to provide Selling and Marketing Services in relation to the Sandalwood related to the Additional Interest~~.~~;

185.4 In the case of BC Investors:

(a) use of the land on which the lot related to the Additional Interest was located for the purpose of the plantation;

(b) Quintis agreeing to harvest the Sandalwood related to the Additional Interest at maturity; and

(c) Quintis agreeing to provide Ongoing Plantation Management Services, Harvesting and Processing Services, Ancillary Services related to the Additional interest.

185A In accordance with AASB 117 and AASB 118, and the Accounting Framework, Quintis was required to attribute a portion of the Option Fees to each of the following components:

185A.1 payment for the sale of an asset, being the Additional Interest;

185A.2 the management services to be provided over the remaining term of the relevant investment, in connection with the Additional Interest;

185A.3 the selling and marketing services to be provided in connection with the Additional Interest;

185A.4 rent for the remaining term of the relevant investment, relating to the Additional Interest.

185B In accordance with AASB 117 and AASB 118, and the Accounting Framework, Quintis was required to only recognise the components of the Option Fees that related to services, in the year those services were provided, and to recognise the balance as deferred revenue.

H.3 RECOGNITION OF DEFERRED FEES: REVENUE & INTANGIBLE ASSETS

186. Further or in the alternative, in the:

(a) FY15 Financial Report, Quintis recognised the FY15 Deferred Lease & Management Fees as accrued income receivable and an intangible asset; and

(b) FY16 Financial Report, Quintis recognised the FY1~~5~~6 Deferred Lease & Management Fees as accrued income receivable and an intangible asset,

(together the **Deferred Lease & Management Fees**).

187. In each of the FY15 Financial Report and FY16 Financial Report, the Deferred Lease & Management Fees were calculated as the amount of lease and management fees that would have been received up to the balance sheet date by Quintis under the annual payment options pleaded in paragraphs 79(b), 86(b) and 91B(c) ~~87(b)~~ above, had those payments not been deferred pursuant to the payment options pleaded in paragraphs 79(b), 86(b) and 91B(c) ~~87(b)~~ above.

188. In the premises pleaded in paragraphs 179 ~~and~~ to 180A ~~180~~ above, in accordance with AASB 117 and AASB 118, Quintis should not have recognised the Deferred Lease & Management Fees as accrued income receivables and intangible assets.

189. In the premises pleaded in paragraphs 179 ~~and~~ to 180A ~~180~~ above, in accordance with AASB 117 and AASB 118, and the Accounting Framework, Quintis should have recognised that it retained an interest ~~in~~between 15% ~~19%~~ and 40% (depending on the project) ~~(in the case of MIS investors) and 20% (in the case of SIO investors)~~ of the

Gross Proceeds of Sale except to the extent that the SIO Investors, ~~and~~ MIS Investors and BC Investors exercised their options to purchase part of that interest by paying the Annual Property Management Fees and Annual Lease Fees or Annual Fees and Annual Rent or Annual Plantation Services Fee and Annual Investment Management Fee respectively.

190. In the premises pleaded in paragraphs 188 and 189 above, the accounting treatment of the Deferred Lease & Management Fees in each financial year did not comply with AASB 117 and AASB 118, and the Accounting Framework.

191. The recognition of the FY15 Deferred Lease & Management Fees and FY16 Deferred Lease & Management Fees as accrued income receivables had the effect, in the circumstances pleaded in paragraphs 187 to 188 above, of materially overstating the revenue of Quintis in each of the FY15 Financial Report and the FY16 Financial Report.

Particulars

~~*Further particulars will be provided after discovery and the service of expert evidence.*~~

Quintis should not have recognised any accrued income receivables attributable to the FY15 Deferred Lease & Management Fees and FY16 Deferred Lease & Management Fees as an intangible asset in the FY15 Financial Report and the FY16 Financial Report.

The true position was that:

(A) Quintis as at 30 June 2015 had total intangible assets attributable to the FY15 Deferred Lease & Management Fees of approximately zero;

(B) Quintis as at 30 June 2016 had total intangible assets attributable to the FY16 Deferred Lease & Management Fees of approximately zero.

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 3.7.3 to 3.7.5, 4.1.4, and 4.2.4

192. By reason of the matters pleaded in paragraphs 190 and 191 above, each of the FY15 Financial Report and the FY16 Financial Report did not give a true and fair view of the financial position and financial performance of Quintis and did not comply with the requirements pleaded in paragraphs 17 and 20 above.

I. COUNTERFACTUAL

I.1 COUNTERFACTUAL: CARRYING VALUES FOR BIOLOGICAL ASSETS

193. Had the discounted cash flow model used to derive the FY15 BA Carrying Value and the FY15 Revaluation Gain pleaded in paragraph~~s~~ 99 ~~and 127 above~~ been developed and applied in accordance with AASB 141 and AASB 13, it would have:

(a1) contained the following assumptions, or assumptions substantially the same as the following assumptions, instead of the significant inputs referred to in paragraph 100 above:

(i) survival rate of 56% at a stocking rate of 420 stems per hectare at harvest;

(ii) theoretical heartwood yield for a tree harvested at 14 years of 5.16 kg;

(iii) theoretical heartwood yield for a tree harvested at 15 years of 6.5 kg;

(iv) theoretical heartwood yield for a tree harvested at 16 years of 7.95 kg;

(v) projected oil content from the heartwood of 3.3%;

(vi) estimated price of sandalwood oil at $2,8000 USD/kg;

(vii) foreign exchange rate of 0.73 for sandalwood sales;

(viii) estimated cost of harvesting and processing at $229.72 per litre of oil; and

(ix) post-tax average real rate at which the net cash flows are discounted:

(A) 16% for trees aged 0 to 5 years;

(B) 15% for trees aged 6 to 10 years; and

(C) 14% for trees aged 11 years to harvest age.

(a) ~~assigned a value to recently planted seedlings and saplings that reflected:~~

~~(i) the cost of unplanted seedlings and saplings; and~~

~~(ii) the costs of planting those seedlings and saplings;~~

(b) ~~assumed an average heartwood production per tree that was in accordance with the heartwood yields assumed by Quintis in its reporting to MIS Investors as pleaded in paragraph 150 above; and~~

(c) ~~applied discount rates of at least the quantum pleaded in paragraph 162 above.~~

193A. Had the discounted cash flow model used to derive the FY16 BA Carrying Value and the FY16 Revaluation Gain pleaded in paragraph 127 above been developed and applied in accordance with AASB 141 and AASB 13, it would have:

(a) contained the following assumptions, or assumptions substantially the same as the following assumptions, instead of the significant inputs referred to in paragraph 128 above:

(i) survival rate of 56% at a stocking rate of 420 stems per hectare at harvest;

(ii) theoretical heartwood yield for a tree harvested at 14 years of 5.16 kg;

(iii) theoretical heartwood yield for a tree harvested at 15 years of 6.5 kg;

(iv) theoretical heartwood yield for a tree harvested at 16 years of 7.95 kg;

(v) projected oil content from the heartwood of 3.3%;

(vi) estimated price of sandalwood oil at $2,8000 USD/kg;

(vii) estimated cost of harvesting and processing at $597 per litre of oil; and

(viii) post-tax average real rate at which the net cash flows are discounted:

(A) 16% for trees aged 0 to 5 years;

(B) 15% for trees aged 6 to 10 years; and

(C) 14% for trees aged 11 years to harvest age.

194. Had the discounted cash flow model pleaded in paragraph 99 above contained the significant inputs ~~integers~~ pleaded in paragraph 193 above, the FY15 Financial Report would have recorded:

(a) an FY15 biological asset carrying value which was materially less than the FY15 BA Carrying Value pleaded in paragraph 97(c) above;

(b) an FY15 revaluation gain (if any) which was materially less than the FY15 Revaluation Gain pleaded in paragraph 101 above;

(c) total asset and net asset values as at 30 June 2015 which were materially less than the total asset and net asset values pleaded in paragraph 104 above; and

(d) a post-tax profit for the financial year ended 30 June 2015 which was a loss or materially less than the post-tax profit pleaded in paragraph 105 above.

Particulars

The true position was that:

(A) Quintis as at 30 June 2015 had current biological assets of approximately $8,193,000.

(B) Quintis as at 30 June 2015 had non-current biological assets of approximately $47,346,000.

(C) Quintis as at 30 June 2015 had total biological assets of approximately $55,539,000.

(D) Quintis as at 30 June 2015 had total assets of approximately $502,706,000.

(E) Quintis as at 30 June 2015 had net assets of approximately $171,574,000.

(D) Quintis' post-tax profit for the financial year ended 30 June 2015 was a loss of $258,078,000.

The material particulars are further identified in the Report of Wayne Basford dated 4 March 2020 at paragraphs 4.1.4 to 4.1.5.

~~*Particulars of the specific amounts of the FY15 BA Carrying Value, FY15 Revaluation Gain, total assets, net assets and post-tax profit that ought to have been recorded will be provided after discovery of documents containing the valuation model, and the service of expert evidence.*~~

195. Had the discounted cash flow model pleaded in paragraph 127 contained the significant inputs ~~integers~~ pleaded in paragraph 193A above, the FY16 Financial Report would have recorded:

(a) an FY16 biological asset carrying value which was materially less than the FY16 BA Carrying Value pleaded in paragraph 125(c) above;

(b) an FY16 revaluation gain (if any) which was materially less than the FY16 Revaluation Gain pleaded in paragraph 129 above;

(c) total asset and net asset values as at 30 June 2016 which were materially less than the total asset and net asset values pleaded in paragraph 132 above; and

(d) a post-tax profit for the financial year ended 30 June 2016 which was a loss or was materially less than the post-tax profit pleaded in paragraph 133 above.

Particulars

The true position was that:

(A) Quintis as at 30 June 2016 had current biological assets of approximately $8,757,000.

(B) Quintis as at 30 June 2016 had non-current biological assets of approximately $53,530,000.

(C) Quintis as at 30 June 2016 had total biological assets of approximately $62,287,000.

(D) Quintis as at 30 June 2016 had total assets of approximately $688,571,000.

(E) Quintis as at 30 June 2016 had net assets of approximately $253,543,000.

(D) Quintis' post-tax profit for the financial year ended 30 June 2016 was a loss of $587,000.

The material particulars are further identified in the Report of Wayne Basford dated 4 March 2020 at paragraphs 4.2.4 to 4.2.5.

~~*Particulars of the specific amounts of the FY16 BA Carrying Value, FY16 Revaluation Gain, total assets, net assets and post-tax profit that ought to have been recorded will be provided after discovery of documents containing the valuation model, and service of expert evidence.*~~

I.1A COUNTERFACTUAL: APPLICATION OF AASB 10

195A. Had the Unconsolidated FY15 Investments been accounted for in the FY15 Financial Report in accordance with AASB 10, the FY15 Financial Report would have recorded:

(a) revenue that was materially less than the FY15 Recognised Establishment Fees pleaded at paragraph 102 above;

(b) intangible assets that were materially less than the FY15 Deferred Lease and Management Fees pleaded at paragraph 103 above; and

(c) a materially higher liability to MIS Investors and BC Investors.

Particulars

The Applicants refer to and repeat paragraph 176D above and the particulars to that paragraph.

195B. Had the Unconsolidated FY16 Investments been accounted for the in the FY16 Financial Report in accordance with AASB 10, the FY16 Financial Report would have recorded:

(a) revenue that was materially less than the FY16 Recognised Establishment Fees pleaded at paragraph 130 above;

(b) intangible assets that were materially less than the FY16 Deferred Lease and Management Fees pleaded at paragraph 131 above; and

(c) a materially higher liability to MIS Investors and BC Investors.

Particulars

The Applicants refer to and repeat paragraph 176D above and the particulars to that paragraph.

I.1B Counterfactual: Application of AASB 132

195C. Had AASB 132 been applied to the MIS Contracts and the SIO Contracts the FY15 Financial Report would have recorded:

(a) revenue that was materially less than the FY15 Recognised Establishment Fees pleaded at paragraph 102 above;

(b) intangible assets that were materially less than the FY15 Deferred Lease and Management Fees pleaded at paragraph 103 above; and

(c) a materially higher liability to MIS Investors and SIO Investors.

Particulars

The Applicants refer to and repeat paragraph 176I above and the particulars to that paragraph.

195D. Had AASB 132 been applied to the MIS Contracts and the SIO Contracts, the FY16 Financial Report would have recorded:

(a) revenue that was materially less than the FY16 Recognised Establishment Fees pleaded at paragraph 130 above;

(b) intangible assets that were materially less than the FY16 Deferred Lease and Management Fees pleaded at paragraph 131 above; and

(c) a materially higher liability to MIS Investors and SIO Investors.

Particulars

The Applicants refer to and repeat paragraph 176I above and the particulars to that paragraph.

I.2 Counterfactual: Recognition of Recognised Establishment Fees

196. Had the Recognised Establishment Fees (and in the case of MIS ~~I~~investors the Upfront Fees and Upfront Rent) been accounted for in accordance with AASB 117 and AASB 118 and the Accounting Framework those fees either:

(a) would not have been recognised to the extent they were attributable to services to be provided by Quintis in the future (other than as deferred revenue); or

(b) would have been recognised in whole, but with a liability for "unearned income" in respect of the services which were yet to be provided in exchange for those Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent).

197. Had the Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent) been accounted for in the manner pleaded in paragraph 196 above, the FY15 Financial Report and FY16 Financial R~~r~~eport would have recorded revenue and net assets which were materially less than those reported.

Particulars

The true position was that:

(A) Quintis as at 30 June 2015 had total revenue from Establishment Fees of approximately $25,619,000.

(B) Quintis as at 30 June 2015 had total net assets of approximately $114,088,000.

(C) Quintis as at 30 June 2016 had total revenue from Establishment Fees of approximately $19,226,000.

(D) Quintis as at 30 June 2016 had net assets of approximately $238,288,000.

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 4.1.4, 4.1.5, 4.2.4 and 4.2.5

~~Further particulars will be provided after discovery and the service of expert evidence.~~

I.3 COUNTERFACTUAL: RECOGNITION OF DEFERRED FEES

198. Had the Deferred Lease & Management Fees been accounted for in accordance with AASB 118 and AASB 138 those fees would not have been recognised in either of the FY15 Financial Report or the FY16 Financial Report as an intangible asset.

199. Instead, had the Deferred Lease & Management Fees been accounted for in accordance with AASB 117 and AASB 118 the FY15 Financial Report and FY16 Financial Report would have not recognised those fees but would have recognised that Quintis

maintained an interest in the Gross Proceeds of Sale from the lots less the Costs of Harvest and Processing, a Selling and Marketing Fee and a Performance Fee to which those Deferred Lease & Management Fees related.

200. Had the Deferred Lease & Management Fees been accounted for in the manner described above in paragraphs 198 and 199, the FY15 Financial Report would have recorded total revenue for FY15 which was materially less than the total revenue pleaded in paragraph 102 above.

Particulars

The true position was that:

(A) *Quintis as at 30 June 2015 had total revenue from Establishment Fees of approximately $25,619,000*

(B) *Quintis as at 30 June 2015 had total net assets of approximately $114,088,000*

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 4.1.4 and 4.1.5.

~~*Further particulars will be provided after discovery and the service of expert evidence.*~~

201. Had the Deferred Lease & Management Fees been accounted for in the manner described above in paragraphs 198 and 199 above, the FY16 Financial Report would have recorded total revenue for FY16 which was materially less than the total revenue pleaded in paragraph 130 above.

Particulars

The true position was that:

(A) *Quintis as at 30 June 2016 had total revenue from Establishment Fees of approximately $19,226,000*

(B) *Quintis as at 30 June 2016 had net assets of approximately $238,288,000*

The material particulars are further identified in the Report of Wayne Basford dated 17 March 2020 at paragraphs 4.2.4 and 4.2.5

J. QUINTIS' CONTRAVENTIONS

202. In lodging with the ASX and publishing over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders):

(a) the FY15 Financial Report as pleaded in paragraph 96 above; and/or

(b) the FY16 Financial Report as pleaded in paragraph 124 above,

Quintis:

(a) engaged in conduct in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(b) in trade or commerce in relation to a financial service within the meaning of s 12DA of the ASIC Act.

203. In publishing:

(a) the FY15 Directors' Declaration pleaded in paragraph 106; and/or

(b) the FY16 Directors' Declaration pleaded in paragraph 134,

Quintis engaged in conduct in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act:

Quintis:

(a) engaged in conduct in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(b) in trade or commerce in relation to a financial service within the meaning of s 12DA of the ASIC Act.

204. In making:

(a) the Quintis FY15 Financial Report Representation pleaded in paragraph 110;

(b) the Quintis FY15 Assets Representation pleaded in paragraph 111;

(c) the Quintis FY15 Profit Representation pleaded in paragraph 112;

(d) the Quintis FY16 Financial Report Representation pleaded in paragraph 138;

(e) the Quintis FY16 Assets Representation pleaded in paragraph 139; and

(f) the Quintis FY16 Profit Representation pleaded in paragraph 140,

Quintis:

(g) engaged in conduct in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(h) in trade or commerce in relation to a financial service within the meaning of s 12DA of the ASIC Act.

J.1 FY15 FINANCIAL REPORT: S 1041H AND S 12DA

Quintis' FY15 Financial Report Representation

205. The Quintis FY15 Financial Report Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS Iinvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

Quintis' FY15 Assets Representation

206. The Quintis FY15 Assets Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

Quintis' FY15 Profit Representation

207. The Quintis FY15 Profit Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

J.2 FY15 FINANCIAL REPORT: S 1041E

208. Each of:

(a) the Quintis FY15 Financial Report Representation;

(b) the Quintis FY15 Assets Representation; and

(c) the Quintis FY15 Profit Representation,

was likely to either:

(i) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

(ii) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

209. The Quintis FY15 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

210. The Quintis FY15 Assets Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

211. The Quintis FY15 Profit Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 to 194 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195A (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195C (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 200 (concerning the recognition of Deferred Fees).

212. Quintis knew or ought reasonably to have known that:

(a) the Quintis FY15 Financial Report Representation was materially misleading for the reasons pleaded in paragraph 248 below (concerning Mr Wilson's knowledge);

(b) the Quintis FY15 Assets Representation was materially misleading for the reasons pleaded in paragraph 251 below (concerning Mr Wilson's knowledge); and

(c) the Quintis FY15 Profit Representation was materially misleading for the reasons pleaded in paragraph 254 below (concerning Mr Wilson's knowledge).

213. In the premises of paragraphs 208 to 212 above, by making each of:

(a) the Qunitis FY15 Financial Report Representation;

(b) the Quintis FY15 Assets Representation; and

(c) the Quintis FY15 Profit Representation,

Quintis contravened s 1041E of the Corporations Act.

J.3 FY16 FINANCIAL REPORT: S 1041H AND S 12DA

Quintis FY16 Financial Report Representation

214. The Quintis FY16 Financial Report Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

Quintis FY16 Assets Representation

215. The Quintis FY16 Assets Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Upfront Fees); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

Quintis FY16 Profit Representation

216. The Quintis FY16 Profit Representation was misleading or deceptive, or likely to mislead or deceive, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

J.4 FY16 FINANCIAL REPORT: S 1041E

217. Each of:

(a) the Quintis FY16 Financial Report Representation;

(b) the Quintis FY16 Assets Representation; and

(c) the Quintis FY16 Profit Representation, was likely to either:

(i) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

(ii) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

218. The Quintis FY16 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

219. The Quintis FY16 Assets Representation was materially misleading, for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

220. The Quintis FY16 Profit Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 166 to 176 and 193 and 195 (concerning the BA Carrying Value);

(a1) 176A to 176E and 195B (concerning consolidation of Controlled Investments);

(a2) 176F to 176J and 195D (concerning MIS and SIO Contracts);

(b) 177 to 185 and 196 to 197 (concerning the recognition of Recognised Establishment Fees (and in the case of MIS I~~i~~nvestors, the Upfront Fees and Upfront Rent)); and

(c) 186 to 192 and 198 to 199 and 201 (concerning the recognition of Deferred Fees).

221. Quintis knew or ought reasonably to have known that:

(a) the Quintis FY16 Financial Report Representation was materially misleading for the reasons pleaded in paragraph 279 below (concerning Mr Wilson's knowledge);

(b) the Quintis FY16 Assets Representation was materially misleading for the reasons pleaded in paragraph 282 below (concerning Mr Wilson's knowledge); and

(c) the Quintis FY16 Profit Representation was materially misleading for the reasons pleaded in paragraph 285 below (concerning Mr Wilson's knowledge).

222. In the premises of paragraphs 217 to 221 above, by making each of:

(a) the Quintis FY16 Financial Report Representation;

(b) the Quintis FY16 Assets Representation; and

(c) the Quintis FY16 Profit Representation,

Quintis contravened s 1041E of the Corporations Act.

K. MR WILSON'S CONTRAVENTIONS

223. In authorising the issuing of the:

(a) FY15 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 93 above; and/or

(b) FY16 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 121 above,

Mr Wilson engaged in conduct:

(a) in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(b) in trade or commerce in relation to a financial service within the meaning of s 12DA of the ASIC Act.

224. In making:

(a) Mr Wilson's FY15 Financial Report Representation pleaded in paragraph 114 above;

(b) Mr Wilson's FY15 Assets Representation pleaded in paragraph 116 above;

(c) Mr Wilson's FY15 Profit Representation pleaded in paragraph 118 above;

(d) Mr Wilson's FY16 Financial Report Representation pleaded in paragraph 142 above;

(e) Mr Wilson's FY16 Assets Representation pleaded in paragraph 144 above; and/or

(f) Mr Wilson's FY16 Profit Representation pleaded in paragraph 146 above,

Mr Wilson engaged in conduct:

(a) in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(b) in trade or commerce in relation to a financial service within the meaning of s 12DA of the ASIC Act.

K.1 FY15 FINANCIAL REPORT: S 1041H AND S 12DA

Mr Wilson's FY15 Financial Report Representation – FY15 BA Carrying Value

225. Mr Wilson knew the matters pleaded in paragraphs 100 and 169 ~~149 to 157~~ above (regarding the assumptions in the fair value model~~, biological and non-biological assumptions~~).

226. Alternatively, Mr Wilson ought reasonably to have known the matters pleaded in paragraphs 100 and 169 ~~149 to 157~~ above.

Particulars

(1) Mr Wilson was a director of Quintis, the business of which is pleaded in paragraph 5(c) above.

(2) Mr Wilson was the chief executive officer of Quintis, as pleaded in paragraph 7(b) above, so was required to declare that the FY15 Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act.

(3) Mr Wilson declared that the FY13 Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act. The FY13 Financial Statement recorded a gain on settlement of a trade debtor in the amount of $50,506,000 as a result of Quintis reclaiming 580 hectares of Sandalwood plantation from a wholesale investor who owed $34,800,000 to Quintis.

(4) The Applicants rely upon the assumptions made in the FY17 Financial Report, in circumstances in which there has been no change in the market which caused a change in assumptions.

(5) Mr Wilson as the chief executive officer of Quintis received an internal memorandum dated 20 August 2015 titled 'Biological Asset Valuation as at 30 June 2015', which recorded plantation performance, including underperforming plantations, the assumptions in the biological asset valuation model, and the application of the theoretical yield curve for trees under 5 years old

(resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (EYQ.101.003.2487).

(6) *Mr Wilson as the chief executive officer of Quintis received the 2015 Inventory Report ("FY15 TFS Accounting Paper 2015 Tree Inventory Count Report") dated 19 August 2015 from Mr Andrew Brown, Quintis' Head of Research and Development, which recorded underperforming plantations and the application of the theoretical yield curve for trees under 5 years old (resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (EYQ.101.003.3175).*

(7) *Mr Wilson as the chief executive officer of Quintis received the 2014 Inventory Report dated 20 August 2014 from Mr Andrew Brown, Quintis' Head of Research, which recorded underperforming plantations and the application of the theoretical yield curve for trees under 5 years old (resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (QIN.001.001.0012).*

(8) *Mr Wilson as the chief executive officer of Quintis received by email on 17 February 2015 a report titled 'Report into EKS Sandalwood Harvest (2014)' which reflected his comments and input into earlier drafts of the report, in particular to explain why yield for the EKS Sandalwood Harvest was below previous Quintis estimates. (QIN.001.001.1476, QIN.001.001.1477)*

(9) *Mr Wilson as the chief executive officer of Quintis received an internal memorandum dated 30 July 2014 titled 'Review of EKS Harvest', which set out the results of heartwood yield and oil yield from the EKS Sandalwood Harvest (QIN.001.001.0700).*

~~*Further particulars will be provided following discovery.*~~

227. In the premises of paragraph 225 above or alternatively paragraph 226 above, Mr Wilson knew, or ought reasonably to have known, that the significant ~~unobservable~~ inputs into

the valuation model for Quintis' biological assets, pleaded in paragraph 100 above, were unrealistic or otherwise did not meet the Accounting Standards (as pleaded in paragraphs 14 and 21 to 24 above).

228. In the premises of paragraph 227 above, Mr Wilson did not have reasonable grounds for being of the opinion that the FY15 BA Carrying Value was a fair value.

229. In the premises of paragraph 228 above, Mr Wilson did not have reasonable grounds for representing that the FY15 Financial Report had been prepared in accordance with the Accounting Standards, for the reasons pleaded in paragraphs 171 to 173 above.

230. In the premises of paragraphs 225 to 229 above, the conduct of Mr Wilson in causing the FY15 Financial Report to be:

(a) lodged with the ASX;

(b) published over the ASX Market Announcements Platform;

(c) published on Quintis' website; and

(d) distributed to Quintis' shareholders,

as pleaded in paragraph 93 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act <u>and/or s 12DA of the ASIC Act</u> because he did not have reasonable grounds for representing that the FY15 Financial Report was prepared in accordance with the Accounting Standards.

231. Further or alternatively, in the premises of paragraphs 225 to 229 above, Mr Wilson did not have reasonable grounds for representing that the FY15 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group, for the reasons pleaded in paragraphs 174 to 176 above.

232. In the premises of paragraphs 225 to 231 above, the conduct of Mr Wilson in causing the FY15 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to Quintis' shareholders) as pleaded in paragraph 93 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act <u>and/or s 12DA of the ASIC Act</u> because Mr Wilson did not have reasonable grounds for representing that the FY15 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group.

Mr Wilson's FY15 Financial Report Representation – Recognition of Recognised Establishment Fees and Deferred Lease & Management Fees

233. Mr Wilson was aware of the terms of the Quintis Investment Products.

234. Alternatively, Mr Wilson ought reasonably to have been aware of the terms of the Quintis Investment Products.

Particulars

(1) *Mr Wilson was a director of Quintis, the business of which is pleaded in paragraph 5(c) above. The Quintis Investment Product were an essential part of Quintis' business, for the reasons pleaded in paragraphs 5(c), 69 to 70, and 74 to 77 above*

(2) *Mr Wilson was the chief executive officer of Quintis, as pleaded in paragraph 7(b) above, so was required to declare that the FY15 Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act.*

(3) *The applicants repeat the particulars in paragraph 235 below.*

~~*Further particulars will be provided following disclosure and evidence*~~

235. Mr Wilson knew the matters pleaded above in paragraphs:

(a1) 176A to 176E (concerning Consolidation of Controlled Investments); and/or

(a2) 176F to 176J (concerning Application of AASB 132 to MIS and SIO Contracts); and/or

(a) 177 to 178 (concerning the recognition of Recognised Establishment Fees); and

(b) 186 to 187 (concerning the recognition of Deferred Lease & Management Fees).

Particulars

The particulars to paragraph 234 are repeated.

(1) *Mr Wilson signed the product disclosure statements or the supplementary product disclosure statements for the MIS products offered in 2002, 2004, and 2005 to 2016.*

(2) *Mr Wilson signed on behalf of Quintis the investment management agreements with SIO Investors between 2013 and 2016.*

(3) *Mr Wilson signed on behalf of Quintis the following agreements with BC Investors:*

   (A) *BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015;*

   (B) *BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015.*

(4) *Mr Wilson received an Agenda and Board Papers for a Risk Committee Meeting scheduled on 28 July 2016 which included: (i) a table titled 'TFS – Key Risks Update All Sites July 2016' (WIL.001.010.5506_0009); and (ii) a table containing the company Risk Register (WIL.001.010.5506_0023). Both tables included an entry identifying 'Investment Products' as a key risk due to "[p]erception of conflict of interest as TFS finances investment, sells investment and manages the product".*

(5) *Internal memorandum to the Audit Committee titled 'Revenue Recognition' dated 17 February 2015. (QIN.001.001.6116)*

(6) *Internal memorandum titled 'Revenue Recognition' dated 20 August 2015, provided to Mr Wilson as part of the papers for the Audit Committee meeting of 27 August 2015. (QIN.001.001.0918_0087)*

(7) *Emails between Mr Wilson, Dalton Gooding, Cameron Morse and Alistair Stevens dated 29 August 2015 concerning delays in the finalisation of Quintis' audited accounts by reason of the "accounting treatment of certain managed investment schemes in which TFS has an interest". (QIN.001.001.7514)*

(8) *TFS Revenue Recognition Policy, which states that significant assumptions concerning revenue recognition "are to be approved by the Audit Committee and subsequent adoption by the Board of Directors" (which included Mr Wilson). (QIN.001.001.5264)*

(9) *Undated internal memorandum detailing the change in Quintis' accounting treatment of how MIS plantations and their consolidation where it has a direct or indirect ownership of 30% or more. (QIN.001.001.4072).*

~~*Further particulars will be provided prior to trial.*~~

236. Alternatively, Mr Wilson ought reasonably to have known the matters pleaded above in paragraphs:

(a1) 176A to 176E (concerning Consolidation of Controlled Investments); and/or

(a2) 176F to 176J (concerning Application of AASB 132 to MIS and SIO Contracts); and/or

(a) 177 to 178 (concerning the recognition of Recognised Establishment Fees); and

(b) 186 to 187 (concerning the recognition of Deferred Lease & Management Fees).

Particulars

The particulars to paragraphs 234 and 235 are repeated.

~~*Further particulars will be provided prior to trial.*~~

237. In the premises of paragraphs 233 and 235 above, Mr Wilson did not have reasonable grounds for representing that the FY15 Financial Report had been prepared in accordance with the Accounting Standards, for the reasons pleaded in paragraphs 184 and 190 above.

238. In the premises of paragraphs 233 to 236 above, the conduct of Mr Wilson, in causing the FY15 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to Quintis' shareholders) as pleaded in paragraph 93 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because he did not have reasonable grounds for representing that the FY15 Financial Report was prepared in accordance with the Accounting Standards.

239. Further or alternatively, in the premises of paragraphs 233 to 236 above, Mr Wilson did not have reasonable grounds for representing that the FY15 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group, for the reasons pleaded in paragraphs 176E, and/or 176J, and/or 184~~3~~ and 191 to 192 above.

240. In the premises of paragraphs 233 to 239, the conduct of Mr Wilson in causing the FY15 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to Quintis' shareholders) as pleaded in paragraph 93 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because he did not have reasonable grounds for representing that the FY15 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group.

Mr Wilson's FY15 Assets Representation

241. In the premises of paragraphs:

(a) 225 to 232 (concerning the FY 15 BA Carrying Value); and further or alternatively

(b) 233 to 240 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts),

the conduct of Mr Wilson in making Mr Wilson's FY15 Assets Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making Mr Wilson's FY15 Assets Representation.

Mr Wilson's FY15 Profit Representation

242. The post-tax profit of $113,021,000 reported in the FY15 Financial Statements, pleaded in paragraph 105 above, included $136,632,000 in respect of the revaluation of Biological Assets, pleaded in paragraph 101 above.

Particulars

FY15 Financial Report at page 28

243. In the premises of paragraphs 242 and 225 to 232 above, the conduct of Mr Wilson in making Mr Wilson's FY15 Profit Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making Mr Wilson's FY15 Profit Representation.

244. The post-tax profit of $113,021,000 reported in the FY15 Financial Statements, pleaded in paragraph 105 above, included approximately $93,840,000 for revenue from FY15 Recognised Establishment Fees and $93,696,000 in respect of Deferred Lease and Management Fees pleaded in paragraphs 102 and 103 respectively.

245. In the premises of paragraphs 244 and 233 and 240 above, the conduct of Mr Wilson in making Mr Wilson's FY15 Profit Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making Mr Wilson's FY15 Profit Representation.

K.2 FY15 FINANCIAL REPORT: S 1041E

246. Each of:

(a) Mr Wilson's FY15 Financial Report Representation pleaded in paragraph 114 above;

(b) Mr Wilson's FY15 Assets Representation pleaded in paragraph 116 above; and

(c) Mr Wilson's FY15 Profit Representation pleaded in paragraph 118 above,

was likely to either:

(i) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

(ii) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

Mr Wilson's FY15 Financial Report Representation

247. Mr Wilson's FY15 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 225 to 232 (concerning the FY15 BA Carrying Value); and

(b) 233 to 240 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

248. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY15 Financial Report Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 225 to 227 (concerning the FY15 BA Carrying Value); and

(ii) 233 to 236 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 226 and 234 to 235 are repeated.

~~*Further particulars will be provided prior to trial.*~~

249. In the premises of paragraphs 246 to 248 above, by making Mr Wilson's FY15 Financial Report Representation, Mr Wilson contravened s 1041E of the Corporations Act.

Mr Wilson's FY15 Assets Representation

250. Mr Wilson's FY15 Assets Representation was false in a material particular or materially misleading for the reasons pleaded in paragraph 241 above.

251. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY15 Assets Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 225 to 227 (concerning the FY15 BA Carrying Value); and

(ii) 233 to 236 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 226 and 234 to 235 are repeated.

~~*Further particulars will be provided prior to trial.*~~

252. In the premises of paragraphs 246 and 237 to 238 above, by making Mr Wilson's FY15 Assets Representation, Mr Wilson contravened s 1041E of the Corporations Act.

Mr Wilson's FY15 Profit Representation

253. Mr Wilson's FY15 Profit Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 225 to 232 and 242 (concerning the FY15 BA Carrying Value); and

(b) 233 to 240 and 244 (concerning the recognition of Upfront Fees and Deferred Lease & Management Fees).

254. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY15 Profit Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 225 to 227 (concerning the FY15 BA Carrying Value); and

(ii) 233 to 236 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 226 and 234 to 235 are repeated.

~~*Further particulars will be provided prior to trial.*~~

255. In the premises of paragraphs 246 and 253 to 254 above, by making Mr Wilson's FY15 Profit Representation, Mr Wilson contravened s 1041E of the Corporations Act.

K.3 FY16 FINANCIAL REPORT: S 1041H AND S 12DA

Mr Wilson's FY16 Financial Report Representation – FY16 BA Carrying Value

256. Mr Wilson knew the matters pleaded in paragraphs 128 and 169A ~~151 to 157~~ above (regarding the assumptions in the fair value model~~, biological and non-biological assumptions~~).

257. Alternatively, Mr Wilson ought reasonably to have known the matters pleaded in paragraphs 128 and 169A ~~151 to 157~~ above.

Particulars

Mr Wilson was a director of Quintis, the business of which is pleaded in paragraphs 5(c) above.

Mr Wilson was the chief executive officer of Quintis, as pleaded in paragraph 7(b) above, so was required to declare that the FY15 Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act.

Mr Wilson declared that the FY13 Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act. The FY13 Financial Statement recorded a gain on settlement of a trade debtor in the amount of $50,506,000 as a result of Quintis reclaiming 580 hectares of Sandalwood plantation from a wholesale investor who owed $34,800,000 to Quintis.

The Applicants rely upon the assumptions made in the FY17 Financial Report, in circumstances in which there has been no change in the market which caused a change in assumptions.

Mr Wilson as the chief executive officer of Quintis received an internal memorandum dated 15 August 2016 titled 'Biological Asset Valuation as at 30 June 2016', which recorded plantation performance, including underperforming plantations, the assumptions in the biological asset valuation model, and the application of the theoretical yield curve for trees under 5 years old (resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (EYQ.101.001.1184).

Mr Wilson as the chief executive officer of Quintis received the 2016 Inventory Report ("FY16 TFS Biological Asset Management Expert Tree Count Report") dated 11 August 2016 from Mr Andrew Brown, Quintis' Head of Research and Development, which recorded underperforming plantations and the application of the theoretical yield curve for trees under 5 years old (resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (EYQ.101.001.1997).

Mr Wilson as the chief executive officer of Quintis received the 2014 Inventory Report dated 20 August 2014 from Mr Andrew Brown, Quintis' Head of Research and Development, which recorded underperforming plantations and the application of the theoretical yield curve for trees under 5 years old (resulting in the valuation of recently planted saplings significantly exceeding the value of unplanted saplings) and individual yield curves for trees over 5 years old (QIN.001.001.0012).

Mr Wilson as the chief executive officer of Quintis received by email on 17 February 2015 a report titled 'Report into EKS Sandalwood Harvest (2014)' which reflected his comments and input into earlier drafts of the report, in particular to explain why yield for the EKS Sandalwood Harvest was below previous Quintis estimates. (QIN.001.001.1476, QIN.001.001.1477)

Mr Wilson as the chief executive officer of Quintis received an internal memorandum dated 30 July 2014 titled 'Review of EKS Harvest', which *set out the results of heartwood yield and oil yield from the EKS Sandalwood Harvest (QIN.001.001.0700).*

Mr Wilson as the chief executive officer of Quintis received the report titled "Report Into TFS2 Sandalwood Harvest (2015)" dated 5 August 2016, which recorded that the harvest of TFS2 Sandalwood Project occurring in May 2015 resulted in lower heartwood yields than predicted by the theoretical heartwood yield (QIN.001.001.0007).

Mr Wilson as the chief executive officer of Quintis received by email on 24 June 2015 a draft report titled "Statement of Heartwood Estimate TFS2", which provided an estimate of the heartwood yield to be achieved from the harvest of the TFS2 Sandalwood Project (QIN.001.001.1127 and QIN.001.001.1128).

~~Further particulars will be provided following disclosure and evidence.~~

258. In the premises of paragraph 256 above or alternatively 257 above, Mr Wilson knew, or ought reasonably to have known, that the significant ~~unobservable~~ inputs into the valuation model for Quintis' biological assets, pleaded in paragraph 128 above, were unrealistic or otherwise did not meet the Accounting Standards (as pleaded in paragraphs 14 and 21 to 24 above).

259. In the premises of paragraph 258 above, Mr Wilson did not have reasonable grounds for being of the opinion that the FY16 BA Carrying Value was a fair value.

260. In the premises of paragraph 259 above, Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report had been prepared in accordance with the Accounting Standards, for the reasons pleaded in paragraphs 171 to 173 above.

261. In the premises of paragraph 260 above, the conduct of Mr Wilson, in causing the FY16 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 121 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report was prepared in accordance with the Accounting Standards.

262. Further or alternatively, Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report gave a true and fair view of the financial position and

performance of Quintis or the Quintis Group, for the reasons pleaded in paragraphs 174 to 176 above.

263. In the premises of paragraphs 256 to 259 and 262 above, the conduct of Mr Wilson in causing the FY16 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 121 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group.

Mr Wilson's FY16 Financial Report Representation – Recognition of Recognised Establishment Fees and Deferred Lease & Management Fees

264. Mr Wilson was aware of the terms of the Quintis Investment Products.

265. Alternatively, Mr Wilson ought reasonably to have been aware of the terms of the Quintis Investment Products.

Particulars

(1) *Mr Wilson was a director of Quintis, the business of which is pleaded in paragraph 5(c) above.The Quintis Investment Product were an essential part of Quintis' business, for the reasons pleaded in paragraphs* 5(c), 69 to 70, and 74 to 77 a*bove;*

(2) *Mr Wilson was the chief executive officer of Quintis, as pleaded in paragraph 7(b) above, so was required to declare that the FY16~~5~~ Financial Statement complied with the accounting standards and gave a true and fair view, in accordance with s 295A of the Corporations Act.*

(3) *The applicants repeat the particulars in paragraph 266 below.*

~~*Further particulars will be provided following disclosure and evidence*~~

266. Mr Wilson knew the matters pleaded above in paragraphs:

(a1) 176A to 176E (concerning Consolidation of Controlled Investments); and/or (a2) 176F to 176J (concerning Application of AASB 132 to MIS and SIO Contracts); and/or

(a) 177 to 178 (concerning the recognition of Recognised Establishment Fees); and

(b) 186 to 187 (concerning the recognition of Deferred Lease & Management Fees).

Particulars

The particulars to paragraph 265 are repeated.

(1) Mr Wilson signed the product disclosure statements or the supplementary product disclosure statements for the MIS products offered in 2002, 2004, and 2005 to 2016.

(2) Mr Wilson signed on behalf of Quintis the investment management agreements with SIO Investors between 2013 and 2016.

(3) Mr Wilson signed on behalf of Quintis the following agreements with BC Investors:

(A) BC Deed of Amendment and Restatement of Investment Management Agreement for the Eagle Park Tree Trust of 19 June 2013, dated 14 January 2015;

(B) BC Deed of Amendment and Restatement of Investment Management Agreement for Sexton Tree Trust of 28 June 2013, dated 14 January 2015.

(4) Mr Wilson received an Agenda and Board Papers for a Risk Committee Meeting scheduled on 28 July 2016 which included: (i) a table titled 'TFS – Key Risks Update All Sites July 2016' (WIL.001.010.5506_0009); and (ii) a table containing the company Risk Register (WIL.001.010.5506_0023). Both tables included an entry identifying 'Investment Products' as a key risk due to "[p]erception of conflict of interest as TFS finances investment, sells investment and manages the product".

(5) Internal memorandum to the Audit Committee titled 'Revenue Recognition' dated 17 February 2015. (QIN.001.001.6116)

(6) *Internal memorandum titled 'Revenue Recognition' dated 20 August 2015, provided to Mr Wilson as part of the papers for the Audit Committee meeting of 27 August 2015. (QIN.001.001.0918_0087)*

(7) *Emails between Mr Wilson, Dalton Gooding, Cameron Morse and Alistair Stevens dated 29 August 2015 concerning delays in the finalisation of Quintis' audited accounts by reason of the "accounting treatment of certain managed investment schemes in which TFS has an interest". (QIN.001.001.7514)*

(8) *Internal memorandum titled 'Revenue Recognition' dated 14 August 2016, provided to Mr Wilson as part of the papers for the Audit Committee meeting of 25 August 2016. (QIN.001.001.0073_0101)*

(9) *TFS Revenue Recognition Policy, which states that significant assumptions concerning revenue recognition "are to be approved by the Audit Committee and subsequent adoption by the Board of Directors" (which included Mr Wilson). (QIN.001.001.5264)*

(10) *Undated internal memorandum detailing the change in Quintis' accounting treatment of how MIS plantations and their consolidation where it has a direct or indirect ownership of 30% or more. (QIN.001.001.4072).*

~~Further particulars will be provided prior to trial.~~

267. Alternatively, Mr Wilson ought reasonably to have known the matters pleaded above in paragraphs:

(a1) 176A to 176E (concerning Consolidation of Controlled Investments); and/or

(a2) 176F to 176J (concerning Application of AASB 132 to MIS and SIO Contracts); and/or

(a) 177 to 178 (concerning the recognition of Recognised Establishment Fees); and

(b) 186 to 187 (concerning the recognition of Deferred Lease & Management Fees).

Particulars

The particulars to paragraphs 265 and 266 ~~234~~ are repeated.

~~*Further particulars will be provided prior to trial.*~~

268. In the premises of paragraph 264 to 267 above, Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report had been prepared in accordance with the Accounting Standards, for the reasons pleaded in paragraphs 190 above.

269. In the premises of paragraphs 264 to 268 above, the conduct of Mr Wilson in causing the FY16 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 121 above was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report had been prepared in accordance with the Accounting Standards.

270. Further or alternatively, Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group, for the reasons pleaded in paragraphs 176E, and/or 176J, and/or 183 and 191 to 192 above.

271. In the premises of paragraphs 264 to 268, the conduct of Mr Wilson in causing the FY16 Financial Report to be lodged with the ASX and published over the ASX Market Announcements Platform (and on Quintis' website and to its shareholders) as pleaded in paragraph 121 above was misleading or deceptive, or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for representing that the FY16 Financial Report gave a true and fair view of the financial position and performance of Quintis or the Quintis Group.

Mr Wilson's FY16 Assets Representation

272. In the premises of paragraphs:

    (a) 256 to 263 above (concerning the FY16 BA Carrying Value); further or alternatively; and

(b) 264 to 270 above (concerning Recognised Establishment Fees and Deferred Lease and Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts),

the conduct of Mr Wilson in making Mr Wilson's FY16 Assets Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making the FY16 Assets Representation.

Mr Wilson's FY16 Profit Representation

273. The post-tax profit of $90,143,000 reported in the FY16 Financial Report, pleaded in paragraph 133 above, included $76,893,000 for the FY16 Revaluation Gain, as pleaded in paragraph 129 above.

274. In the premises of paragraphs 273 and 256 to 259 above, the conduct of Mr Wilson in making Mr Wilson's FY16 Profit Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making Mr Wilson's FY16 Profit Representation.

275. The post-tax profit of $90,143,000 reported in the FY16 Financial Report, pleaded in paragraph 133 above, included approximately $116,880,000 for revenue from FY16 Recognised Establishment Fees and $109,507,000 in respect of FY16 Deferred Lease and Management Fees as pleaded in paragraphs 130 and 131 above.

276. In the premises of paragraph 275 and 264 to 270 above, the conduct of Mr Wilson in making Mr Wilson's FY16 Profit Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or s 12DA of the ASIC Act because Mr Wilson did not have reasonable grounds for making Mr Wilson's FY16 Profit Representation.

K.4 FY16 FINANCIAL REPORT: S 1041E

277. Each of:

(a) Mr Wilson's FY16 Financial Report Representation pleaded in paragraph 142;

(b) Mr Wilson's FY16 Assets Representation pleaded in paragraph 144; and

(c) Mr Wilson's FY16 Profit Representation pleaded in paragraph 146, was likely to either:

(i) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

(ii) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

Mr Wilson's FY16 Financial Report Representation

278. Mr Wilson's FY16 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

(a) 256 to 260 and 262 above (concerning the FY16 BA Carrying Value); and

(b) 264 to 268 and 270 above (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

279. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY16 Financial Report Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 256 to 260 and 262 (concerning the FY16 BA Carrying Value); and

(ii) 264 to 268 and 270 (concerning the recognition of Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 257 and 265 to 266 are repeated.

~~*Further particulars will be provided prior to trial.*~~

280. In the premises of paragraphs 277 to 279 above, by making Mr Wilson's FY15 Financial Report Representation, Mr Wilson contravened s 1041E of the Corporations Act.

Mr Wilson's FY16 Assets Representation

281. Mr Wilson's FY16 Assets Representation was materially misleading for the reasons pleaded in paragraph 272 above.

282. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY16 Assets Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 256 to 260 and 262 (concerning the FY16 BA Carrying Value); and

(ii) 264 to 268 and 270 (concerning the recognition Recognised Establishment Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 257 and 265 to 266 are repeated.

~~*Further particulars will be provided prior to trial.*~~

283. In the premises of paragraphs 246 and 281 to 282 above, by making Mr Wilson's FY16 Assets Representation, Mr Wilson contravened s 1041E of the Corporations Act.

Mr Wilson's FY16 Profit Representation

284. Mr Wilson's FY16 Profit Representation was materially misleading for each of the reasons pleaded in paragraphs 273 to 276 above.

285. Mr Wilson either:

(a) knew; or

(b) ought reasonably to have known,

that Mr Wilson's FY16 Profit Representation was materially misleading for each the reasons pleaded above in paragraphs:

(i) 256 to 260 and 262 (concerning the FY16 BA Carrying Value); and

(ii) 264 to 268 and 270 (concerning the recognition of Upfront Fees and Deferred Lease & Management Fees, and/or Consolidation of Controlled Investments and/or the Application of AASB 132 to MIS and SIO Contracts).

Particulars

The particulars to paragraphs 257 and 265 to 266 are repeated.

~~*Further particulars will be provided prior to trial.*~~

286. In the premises of paragraphs 246 and 284 to 285 above, by making Mr Wilson's FY16 Profit Representation, Mr Wilson contravened s 1041E of the Corporations Act.

K.5 MR WILSON COUNTERFACTUAL

FY15 Financial Report

287. If Mr Wilson had not made:

(a) Mr Wilson's FY15 Financial Report Representation pleaded in paragraph 114;

(b) Mr Wilson's FY15 Assets Representation pleaded in paragraph 116; or

(c) Mr Wilson's FY15 Profit Representation pleaded in paragraph 118,

in respect of the FY15 Financial Report then the FY15 Financial Report would not have been issued, as pleaded in paragraph 93 above.

288. Further or alternatively, the FY15 Financial Report would only have been issued, along with the directors' declaration required by ss 295, 296 and 297 of the Corporations Act, if it did not contain:

(a) Mr Wilson's FY15 Financial Report Representation pleaded in paragraph 114;

(b) Mr Wilson's FY15 Assets Representation pleaded in paragraph 116; and/or

(c) Mr Wilson's FY15 Profit Representation pleaded in paragraph 118.

288A. Further or alternatively, the FY15 Financial Report would have stated Quintis:

(a) had as at 30 June 2015 total assets that were materially less than $1,173,335,000; and/or

(b) had as at 30 June 2015 net assets that were materially less than $574,523,000.

Particulars

The true position was that:

(A) Quintis as at 30 June 2015 had total assets of approximately $570,181,000;

(B) Quintis as at 30 June 2015 had total net assets of approximately $114,088,000.

FY16 Financial Report

289. If Mr Wilson had not made:

(a) Mr Wilson's FY16 Financial Report Representation pleaded in paragraph 142;

(b) Mr Wilson's FY16 Assets Representation pleaded in paragraph 144; or

(c) Mr Wilson's FY16 Profit Representation pleaded in paragraph 146,

in respect of the FY16 Financial Report then the FY16 Financial Report would not have been issued, as pleaded in paragraph 121 above.

290. Further or alternatively, the FY16 Financial Report would only have been issued, along with the directors' declaration required by ss 295, 296 and 297 of the Corporations Act, if it did not contain:

(a) Mr Wilson's FY16 Financial Report Representation pleaded in paragraph 142;

(b) Mr Wilson's FY16 Assets Representation pleaded in paragraph 144; and/or

(c) Mr Wilson's FY16 Profit Representation pleaded in paragraph 146.

290A. Further or alternatively, the FY16 Financial Report would have stated Quintis:

(a) had as at 30 June 2016 total assets that were materially less than $1,491,000,000; and/or

(b) had as at 30 June 2015 net assets that were materially less than $747,220,000.

Particulars

The true position was that:

(A) Quintis as at 30 June 2016 had total assets of approximately $764,043,000;

(B) Quintis as at 30 June 2016 had total net assets of approximately $238,288,000.

L. EY'S CONTRAVENTIONS

291. In issuing:

(a) the FY15 Audit Opinion pleaded in paragraph 108 above in the circumstances pleaded in paragraphs 94 and 95 above;

(b) the FY16 Audit Opinion pleaded in paragraph 136 above in the circumstances pleaded in paragraph 123 and 124,

EY engaged in conduct:

(c) in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(d) in trade or commerce in relation to financial services within the meaning of s 12DA of the ASIC Act.

292. In making:

(a) the EY FY15 Financial Report Representation pleaded in paragraph 120 above;

(b) the EY FY16 Financial Report Representation pleaded in paragraph 148 above,

EY engaged in conduct:

(a) in relation to a financial product or a financial service within the meaning of ss 1041E and 1041H of the Corporations Act; and

(b) in trade or commerce in relation to financial services within the meaning of s 12DA of the ASIC Act.

L.1 FY15 AUDIT: REASONABLE STEPS

FY15 BA Carrying Value

293. A reasonable auditor auditing the FY15 Financial Report would have complied with the Australian Auditing Standards.

Particulars

ASA 200 (11 November 2013) paragraph 18

Further particulars will be provided following disclosure and evidence.

294. A reasonable auditor auditing the FY15 Financial Report, applying professional scepticism, would have recognised that Quintis' ability to continue as a going concern was dependent upon its ability to raise funds from investors and financiers, as pleaded in paragraphs 75 to 76 above.

Particulars

(1) ASA 200 (11 November 2013), paragraphs 13(l), 15, 16, A18, A19 and A20, as pleaded in paragraphs 42 and 46 above;

(2) ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;

(3) ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;

(4) ASA 330, paragraphs 7(b), 18 and 21, as pleaded in paragraph 52 above; and

(5) Further particulars will be provided following disclosure and evidence.

295. A reasonable auditor auditing the FY15 Financial Report would have recognised the substantial risk that one way Quintis could have attracted investors and financiers was to unreasonably increase the valuation of its biological assets.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 13(l), 15, 16 and A20, A38, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above; and*

(5) *Further particulars will be provided following disclosure and evidence.*

296. A reasonable auditor auditing the FY15 Financial Report would have recognised that the FY15 BA Carrying Value was based upon the Directors' assessment of the fair value of those assets, as pleaded in paragraph 98 above.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 13(l), 15, 16 and A20, as pleaded in paragraphs 42 to 46 above;*

(1A) *ASA 240, paragraphs 16, 23, 24, 27 as pleaded in paragraphs 46A, 46B, 46C and 46D above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 510, paragraph 3 as pleaded in paragraph 55 above;*

(6) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18; as pleaded in paragraphs 59 to 63 above; and*

(7) *Further particulars will be provided following disclosure and expert evidence.*

296A. A reasonable auditor auditing the FY15 Financial Report would have recognised that the Directors’ assessment of the fair value of Quintis’ biological assets pleaded at paragraph 98 above was based on the discounted cashflow model pleaded at paragraph 99.

296B. A reasonable auditor auditing the FY15 Financial Report would have recognised that the discounted cashflow model pleaded at paragraph 99 above was sensitive to the significant inputs pleaded at paragraph 100 above.

297. In the premises of paragraphs 294 and 296B above, a reasonable auditor auditing the FY15 Financial Report would have identified a risk that Quintis materially overstated the value of its biological assets by reason of the assumptions adopted in the discounted cashflow model pleaded at paragraph 99 not being in accordance with the requirements of AASB 141 and AASB 13.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 11(a), 13(l), 15, 17 and A20 as pleaded in paragraphs 42 to 46 above;*

(1A) *ASA 240, paragraphs 16, 23, 24, 27 as pleaded in paragraphs 46A, 46B, 46C and 46D above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 510, paragraph 11 as pleaded in paragraph 57 above;*

(6) *ASA 540, paragraphs 6, 12(b), 13 and 18 as pleaded in paragraphs 59 to 63 above; and*

(7) *Further particulars will be provided following disclosure and expert evidence.*

298. Further, in the premises of paragraphs 294 to 297 above, a reasonable auditor auditing the FY15 Financial Report would have assessed that risk as being significant.

Particulars

(1) *ASA 315 (11 November 2013), paragraphs 27 and 28~~(e)~~ as pleaded in paragraph 51E ~~51~~ above*

(2) *ASA 240, paragraphs 16, 23, 24, 27 as pleaded in paragraphs 46A, 46B, 46C and 46D above*

299. Further, given the risk was significant, a reasonable auditor auditing the FY15 Financial Report would have required sufficient appropriate audit evidence that the value of biological assets had not been misstated, before concluding that there had been no misstatement.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 13(l), 15, 17, and A20 as pleaded in paragraphs 42 to 46 above;*

(1A) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(2) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(3) *ASA 330, paragraphs 7(b), 18, 26 and 27 as pleaded in paragraphs 52 and 53 above; and*

(3A) ASA 500, paragraphs 5, 27, 29, 31.

(4) *Further particulars will be provided following disclosure and expert evidence.*

300. Such appropriate audit evidence would have included:

(a) sufficient evidence that the assumptions pleaded at paragraph 100 above underlying the value of the biological assets were appropriate;~~ and/or~~

(a1) evidence concerning the competence and integrity of Quintis' internal expert, Mr Andrew Brown, given that Mr Brown's judgements impacted significant inputs in the valuation model concerning:

(i) survival rates;

(ii) theoretical heartwood yield for each tree at harvest;

(iii) assigned yield curve for each tree at harvest;

(iv) estimated time to harvest; and

(v) estimated oil content; and

(b) if a reasonable auditor could not be satisfied about the competence and integrity of Mr Brown, an an independent valuation of the biological assets.

301. A reasonable auditor auditing the FY15 Financial Report would have ~~either~~:

(a) ensured its staff had the relevant expertise in auditing the fair value of sandalwood plantations; ~~or~~

(a1) ensured its staff included technical accounting experts with experience in the application of AASB 141 and AASB 13 to biological assets such as those controlled by Quintis;

(b) obtained appropriate technical expertise from a third party~~,~~;

(c) analysed Quintis' predicted heartwood yields for each of its sandalwood plantations and determined whether the predicted heartwood yields for newer plantations were significantly better than for older plantations;

(d) analysed Mr Brown's competence and integrity as management's expert to determine whether his assumptions represented sufficient appropriate audit evidence concerning the predictions of heartwood yield and the valuation of the biological assets;

(e) performed a sensitivity analysis to determine the correct discount rate to be applied to the valuation of Quintis' sandalwood plantations;

(f) analysed the discounted cash flow model used by Quintis to ensure that the forecast number of trees at harvest did not exceed 420 stems per hectare for each sandalwood plantation;

(g) ascertained the basis upon which the estimated theoretical heartwood yield had been determined and whether it was realistic or achievable;

(h) considered the forecasted heartwood yield against appropriate supporting evidence corroborating Quintis' management assertions;

(i) compared forecasted theoretical heartwood yield at harvest to Quintis' actual harvest results to determine whether the forecasted heartwood yield was realistic and achievable;

(j) compared forecasted heartwood yield at harvest to scientific or academic studies in relation to heartwood yield of Indian sandalwood trees; and

(k) considered the controls Quintis had in place in respect of validating its assumptions as to forecasted heartwood yield,

in order to obtain and understand the appropriate audit evidence pleaded in paragraph 299 above.

Particulars

<u>(1)</u> *ASA 540, paragraph 14 as pleaded in paragraph 61 above;*

<u>(2)</u> *ASA 620, paragraphs 7 and A4-A9 as pleaded in paragraph 64 above~~; and~~*

<u>(3)</u> ~~*Further particulars will be provided following disclosure and expert evidence.*~~

<u>(4)</u> <u>ASA 240, paragraph 25;</u>

<u>(5)</u> <u>ASA 300, paragraphs 2, 3;</u>

<u>(6)</u> <u>ASA 315, paragraphs 5, 27, 28;</u>

<u>(7)</u> <u>ASA 330, paragraphs 2, 25, 26, 27; and</u>

<u>(8)</u> <u>ASA 500, paragraphs 4, 5, 27, 29, 31.</u>

<u>301A. In the premises of paragraph 301 above, a reasonable auditor auditing the FY15 Financial Report would have:</u>

(a) <u>concluded that representations by Mr Brown concerning the basis for the predicted heartwood yield were not sufficient appropriate audit evidence;</u>

(b) <u>recognised that Quintis' predicted heartwood yield for its newer sandalwood plantations predicted yields were significantly better than in older vintages and that the plantations utilising these predicted heartwood yields were material to the FY15 Carrying Value;</u>

(c) <u>concluded that it was unable to obtain sufficient appropriate audit evidence that the assumptions pleaded at paragraph 100 above underlying the value of biological assets were appropriate; and</u>

<u>(d) concluded that the only way to obtain sufficient appropriate audit evidence concerning the reasonableness of Quintis' predicted heartwood yield would be to request Quintis to engage a suitably qualified independent expert in Indian sandalwood to report on the validity of the heartwood yield predictions.</u>

302. ~~A~~ <u>If a</u> reasonable auditor auditing the FY15 Financial Report ~~would not have been able to obtain appropriate audit evidence that the FY15 BA Carrying Value was not misstated~~

~~because a reasonable staff member with the relevant expertise or reasonable third party expert would have concluded that~~ had requested Quintis to engage a suitably qualified independent expert, and Quintis did so, a reasonable auditor auditing the FY15 Financial Report would have concluded, based on advice from an independent third party expert, that:

(a) the assumptions underlying the FY15 BA Carrying Value as pleaded above in Part H.1 were not reasonable given:

(i) the matters pleaded in paragraph 169 above;

(ii) past performance of sandalwood plantations ~~(as pleaded in Part G.1 above)~~ and past results from commercial harvests;

~~(iii) the assumptions were inconsistent with projections being reported to MIS Investors (as pleaded in paragraph 150 above);~~

~~(iv) past experience with the sale of Sandalwood plantations (as pleaded in Part G.2 above); and~~

(v) those assumptions were corrected for the purpose of the FY17 Financial Report (as pleaded in Part G.3 above), even though there has been no change in the market which caused a change to those assumptions; and

(b) the FY15 BA Carrying Value did not give a fair value of Quintis' biological assets, when compared to an independent valuation of those assets.

303. In the circumstances pleaded in paragraph 302 above, a reasonable auditor auditing the FY15 Financial Report would have reached the conclusions pleaded in paragraphs 169 to 176 above, with respect to the FY15 Financial Report.

Particulars

(1) ASA 330, paragraph 27 as pleaded in paragraph 53 above;

(2) ASA 510, paragraph 11 as pleaded in paragraph 57 above.~~; and~~

(3) ~~Further particulars will be provided following disclosure and expert evidence.~~

304. Alternatively, a reasonable auditor auditing the FY15 Financial Report, if they were not able to obtain sufficient appropriate audit evidence to support the FY15 BA Carrying

Value, would have concluded that there was insufficient audit evidence to support an unqualified audit opinion.

Particulars

(1) *ASA 330, paragraph 27 as pleaded in paragraph 53 above;*

(2) *ASA 510, paragraph 10 as pleaded in paragraph 58 above.~~; and~~*

(3) *~~Further particulars will be provided following disclosure and expert evidence.~~*

305. A reasonable auditor auditing the FY15 Financial Report, who had reached either of the conclusions pleaded at in paragraph 303 or paragraph 304 above would have communicated the matters pleaded in paragraph 303 or paragraph 304 above to the Directors and requested the Directors to correct those matters by amending the FY15 Financial Report or providing sufficient audit evidence.

Particulars

ASA 450, paragraph 8 as pleaded in paragraph 54 above

~~Further particulars will be provided following disclosure and expert evidence.~~

306. If a reasonable auditor auditing the FY15 Financial Report had requested sufficient audit evidence from the Directors as pleaded in paragraph 305 above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraph 302 above.

307. Unless the Directors corrected the matters raised, a reasonable auditor auditing the FY15 Financial Report who reached the conclusions pleaded in paragraphs 303 or 304 above ~~or did not receive sufficient audit evidence (as pleaded in paragraphs 305 and 306 above)~~ would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

308. The FY15 Audit Opinion did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

308A. In auditing the FY15 Financial Report, EY identified that the carrying value of Quintis' biological assets was an area of audit focus.

Particulars

EY FY15 Audit Plan, EYQ.101.003.1157 of EYQ.101.003.1149

308B. In auditing the FY15 Financial Report, EY identified the carrying value of Quintis' biological assets was sensitive to the significant inputs pleaded at paragraph 100.

Particulars

EY FY15 Closing Report, EYQ.101.002.2920 to EYQ.101.002.2926 of EYQ.101.002.2915

308C. In auditing the FY15 Financial Report, EY's audit work concerning the FY15 Carrying Value involved:

(a) procedures validating existence, whereby EY engaged its in-house actuary to sign off on the statistical tree count method adopted by Quintis;

(b) procedures validating measurement, concerning the assumptions in the discounted cashflow model pleaded in paragraph 99 and the significant inputs pleaded at paragraph 100 above for compliance with the requirements of AASB 141 and AASB 13, whereby EY:

(i) set out its understanding of Mr Brown's judgements concerning the assumptions in the theoretical yield curve;

(ii) analysed the basis for predicting the heartwood yield of trees less than 5 years old and trees greater than 5 years old;

(iii) analysed estimates of heartwood yield based on research and testing done by Mr Brown;

(iv) analysed the heartwood yield results of Quintis' 2014 and 2015 commercial harvests;

(v) engaged the EY Valuation and Business Modelling team to review the key economic assumptions used in the valuation model;

(vi) engaged the EY Transaction Advisory Services team to audit the discount rates applied to the trees; and

(vii) reviewed sensitivity analysis on the key economic assumptions to determine whether the biological asset value recognised at balance date was within a tolerable range; and

(c) performing a sensitivity analysis on 13 sandalwood projects which had an actual heartwood yield percentage which was more than 15% lower than the yield which was assigned in the tree model; and

(d) completing a checklist in assessing Mr Brown's competency and integrity.

Particulars

FY15 Biological Asset Assessment Memorandum dated 22 July 2015 EYQ.101.003.3276 and EYQ.101.003.3282 of EYQ.101.003.3276

FY15 Tree Sensitivity Analysis, EYQ.101.003.1262

EY Enabler Checklist, EYQ.101.003.2328

EY FY15 Closing Report, EYQ.101.002.2926 of EYQ.101.002.2915

308D. In performing the audit work pleaded at paragraph 308C above, EY concluded that the assumptions in the discounted cashflow model pleaded in paragraph 99 and the significant inputs pleaded at paragraph 100 were not unreasonable and remained appropriate.

Particulars

FY15 Biological Asset Assessment Memorandum dated 22 July 2015 EYQ.101.003.3278 of EYQ.101.003.3276

308E. In auditing the FY15 Financial Report, and arriving at the conclusions it did at paragraph 308D above, EY did not take the steps pleaded in paragraphs 301 to 305 above which a reasonable auditor would have taken.

308F. In the premises of paragraphs 308C to 308E above, EY's audit of the FY15 Financial Report failed to recognise the matters pleaded in paragraph 169 above which a reasonable auditor would have reocgnised.

308G. In the premises of paragraphs 308C to 308F above, EY did not obtain sufficient appropriate audit evidence that the FY15 BA Carrying Value was not misstated.

309. In the premises of paragraphs 294 to 308 above, EY did not conduct its audit of the FY15 Financial Statement in relation to the FY15 BA Carrying Value as a reasonable auditor would have done.

Particulars

This is to be inferred from the fact EY did not express an adverse audit opinion.

Further particulars will be provided following disclosure and expert evidence.

FY15 Consolidation

309A. Further or in the alternative, a reasonable auditor auditing the FY15 Financial Report would have recognised a significant risk that Quintis had failed to correctly determine whether the FY15 Unconsolidated Investments were required to be consolidated in accordance with AASB 10 and that this posed a risk of material misstatement in the FY15 Financial Report.

Particulars

(1) ASA 300, paragraph 7, 9(b)

309B. A reasonable auditor auditing the FY15 Financial Report would have recognised a significant risk that Quintis had failed to correctly apply AASB 10 to present the financial affairs of Quintis and the investments that it controlled as a single economic entity and that this posed a risk of material misstatement in the FY15 Financial Report.

Particulars

(2) ASA 330, paragraphs 6, 7, 26

309C. A reasonable auditor auditing the FY15 Financial Report would have assessed Quintis':

(a) power over each of the FY15 Unconsolidated Investments;

(b) exposure to variable returns from its involvement with each of the FY15 Unconsolidated Investments; and

(c) ability to use its power over each of the FY15 Unconsolidated Investments to affect the amount of Quintis' returns.

309D. A reasonable auditor auditing the FY15 Financial Report would have considered whether the FY15 Financial Report presented the financial affairs of Quintis and the investments that it controlled as a single economic entity.

309E. A reasonable auditor auditing the FY15 Financial Report would have recognised the matters pleaded in paragraph 176B above.

309F. A reasonable auditor auditing the FY15 Financial Report who took the steps pleaded in paragraphs 309A to 309E above would have reached the conclusions pleaded in paragraphs 176B to 176E above.

309G. A reasonable auditor auditing the FY15 Financial Report who reached the conclusions in paragraphs 309E and 309F above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY15 Financial Report or providing appropriate audit evidence.

309H. If a reasonable auditor auditing the FY15 Financial Report had requested appropriate audit evidence form the Directors as pleaded in paragraph 309G above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 176B to 176E above.

309I. A reasonable auditor auditing the FY15 Financial Report who reached the conclusions pleaded in paragraph 309F above would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

309J. The FY15 Financial Report did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

309K. In auditing the FY15 Financial Report, EY failed to prepare an audit plan addressing the risks pleaded at paragraphs 309A to 309B.

309L. In auditing the FY15 Financial Report, the audit procedures EY performed in order to allow it to opine as to whether the FY15 Financial Report was prepared in accordance with the requirements of AASB 10 did not consider the matters pleaded above at paragraphs 309A to 309D.

Particulars

(1) *Memorandum titled 'AASB 10 Consolidation' by Mr Tim Dachs dated 29 September 2015 (EYQ 101.003.5805)*

(2) *Memorandum titled 'TFS FY15 AASB 10 Consolidation Memo CF' addressed to Mr Charles Feeney (EYQ.101.003.4841)*

309M. In performing the audit procedures pleaded at paragraph 309L above, EY did not reach the conclusions a reasonable auditor auditing the FY15 Financial Report would have reached as pleaded in paragraphs 309E and 309F above, or take the steps that a reasonable auditor would have taken, as pleaded in paragraph 309C above.

309N. In the premises, EY did not conduct its audit of the FY15 Financial Report as a reasonable auditor would have.

FY15 Financial Instruments

309O. Further or in the alternative, a reasonable auditor auditing the FY15 Financial Report would have recognised a significant risk that Quintis had failed to correctly determine whether AASB 117 and AASB 118 or AASB 132 applied to the MIS Contracts and the SIO Contracts and that this posed a risk of material misstatement in the FY15 Financial Report.

309P. A reasonable auditor auditing the FY15 Financial Report would have determined whether AASB 117 and AASB 118 or AASB 132 applied to the MIS Contracts and the SIO Contracts.

309Q. A reasonable auditor auditing the FY15 Financial Report would have recognised the matters pleaded in paragraphs 176G above.

309R. A reasonable auditor auditing the FY15 Financial Report who took the steps pleaded in paragraphs 309O to 309Q above would have reached the conclusions in paragraphs 176G to 176J above.

309S. A reasonable auditor auditing the FY15 Financial Report who reached the conclusions pleaded in paragraphs 309Q to 309R above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY15 Financial Report or providing appropriate audit evidence.

309T. If a reasonable auditor auditing the FY15 Financial Report had requested appropriate audit evidence from the Directors as pleaded in paragraph 309S above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 176G to 176J above.

309U. A reasonable auditor auditing the FY15 Financial Report who reached the conclusions pleaded in paragraph 309T above would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

309V. The FY15 Financial Report did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

309W. In auditing the FY15 Financial Report, EY did not identify any specific risks or perform any audit procedures concerning the application of AASB 132 to the transactions between Quintis and SIO Investors and MIS Investors, which a reasonable auditor would have done as pleaded in paragraphs 309O to 309Q above.

309X. In auditing the FY15 Financial Report, EY did not take the steps pleaded in paragraphs 309O to 309Q above which a reasonable auditor would have taken.

309Y. In failing to identify the risks and perform the steps pleaded at paragraphs 309O to 309Q above, EY did not form the conclusions a reasonable auditor auditing the FY15 Financial Report would have reached as pleaded in paragraphs 309Q to 309R above.

309Z. In the premises, EY did not conduct its audit of the FY15 Financial Report as a reasonable auditor would have.

Recognition of Recognised Establishment Fees and Deferred Lease & Management Fees

310. Further or in the alternative, ~~A~~a reasonable auditor auditing the FY15 Financial Report would have recognised that one way Quintis could have attracted investors and financiers was to unreasonably increase its revenue by recognising the FY15 Establishment Fees as revenue and the FY15 Deferred Lease & Management Fees as an asset.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 13(l),15, 16 and A20 , as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7 (b), 18 and 21 as pleaded in paragraph 52 above; and*

(5) *Further particulars will be provided following disclosure and expert evidence.*

311. In the premises of paragraph 310 above, a reasonable auditor auditing the FY15 Financial Report would have identified a significant risk that Quintis may have wrongly recognised future income as current revenue, such as the Upfront Fees.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 11(a), 13(l), 15, 17 and A20, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above;*

(6) *Further particulars will be provided following disclosure and expert evidence.*

312. In the premises of paragraphs 310 above, a reasonable auditor auditing the FY15 Financial Report would have identified a significant risk that Quintis may have wrongly recognised future potential income sources as assets, such as the FY15 Deferred Lease & Management Fees.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 11(a), 13(l), 15, 17 and A20, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (11 November 2013), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above; and*

(6) *Further particulars will be provided following disclosure and expert evidence.*

312A. In the premises of paragraphs 310 to 312 pleaded above, a reasonable auditor auditing the FY15 Financial Report would have identified the accounting treatment of Recognised Establishment Fees and Deferred Lease and Management Fees as a complex accounting issue and would have sought to obtain sufficient appropriate audit evidence that Quintis had correctly applied AASB 118.

~~313. A reasonable auditor auditing the FY15 Financial Report would have reviewed the terms of the Quintis Investment Products, and taken advice in respect of the effect of those terms if necessary.~~

313A. A reasonable auditor auditing the FY15 Financial Report would have designed and undertaken audit procedures in order to:

(a) review the terms of the Quintis Investment Products and consult with technical experts in respect of the application of AASB 118 to the relevant terms;

(b) determine which of Quintis' Investment Products had deferred fee arrangements;

(c) determine the composition of the intangible asset recognised in respect of the Quintis Investment Products where deferral of the Lease and Management Fees had resulted in Quintis having an additional right to the future harvest proceeds of a sandalwood project; and

(d) determine, at the establishment of each Quintis Investment Product, what goods or services Quintis was committed to provide to the investor up to the point of harvest.

314. A reasonable auditor auditing the FY15 Financial Report would have recognised the matters pleaded above in paragraphs:

(a) 179 (substance of SIO Investors' investment); ~~and~~

(b) 180 (substance of MIS Investors' investment); and

(c) 181A (substance of BC Investors' investment).

315. A reasonable auditor auditing the FY15 Financial Report who took the steps pleaded in paragraphs ~~313~~ 312A ~~and~~ to 314 above would have reached the conclusions pleaded in paragraphs 184 and 190 to 192 above.

316. A reasonable auditor auditing the FY15 Financial Report, who had reached either of the conclusions pleaded in paragraphs 184 and 190 to 192 above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY15 Financial Report or providing appropriate audit evidence.

317. If a reasonable auditor auditing the FY15 Financial Report had requested sufficient audit evidence from the Directors as pleaded in paragraph 316 above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 179 to 181A ~~180~~ above.

318. A reasonable auditor auditing the FY15 Financial Report who reached the conclusions pleaded in paragraph 315 above would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

319. The FY15 Audit Opinion did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

319A. In auditing the FY15 Financial Report, EY identified that revenue recognition was an area of audit focus in relation to revenue recognition.

Particulars

EY FY15 Audit Plan, EYQ.101.003.1156 and *EYQ.101.003.1161 of EYQ.101.003.1149*

319B. In auditing the FY15 Financial Report, EY's FY15 Audit Plan did not identify the risks in respect of the transactions with investors not being accounted for in accordance with AASB 118.

Particulars

EY FY15 Audit Plan, EYQ.101.003.1149

319C. In auditing the FY15 Financial Report, EY's audit work involved:

(a) obtaining an understanding of Quintis' accounting policies surrounding the treatment of Recognised Establishment Fees;

(b) performing revenue cut-off testing through a review of material sales made near the balance date to determine whether transactions were recognised in the appropriate accounting period; and

(c) auditing the general purpose financial reports of the Quintis Investment Products for the relevant periods.

Particulars

EY FY15 Audit Plan, EYQ.101.003.1149 and EYQ.101.003.1163 of EYQ.101.003.1149

319D. In auditing the FY15 Financial Report, and performing the audit work pleaded in paragraph 319C above, EY concurred with Quintis' accounting treatment which:

(a) recognised the Recognised Establishment Fees as representing the provision of a service to MIS Investors, SIO Investors and BC Investors;

(b) assumed that MIS Investors, SIO Investors and BC Investors held a 100% interest in the biological asset that Quintis established for them; and

(c) recognised Lease and Management Fees each year upon the investor paying the Lease and Management Fees in cash or electing to defer payment.

Particulars

EY FY15 Audit Plan, EYQ.101.003.1157 of EYQ.101.003.1149

319E. In auditing the FY15 Financial Report, and arriving at the conclusions it did at paragraph 319D above, EY did not take the steps pleaded in paragraphs 312A to 315 above.

319F. In the premises of paragraphs 319 to 319E pleaded above, EY did not conduct its audit of the FY15 Financial Report as a reasonable auditor would have done by taking the steps pleaded above in paragraphs 312A to 313A and failed to recognise the matters pleaded at paragraph 315 above which a reasonable auditor would have recognised.

319G. In the premises of paragraph 319F pleaded above, EY did obtain sufficient appropriate audit evidence to determine whether Quintis had correctly applied AASB 118 to its transactions with the BC Investors, SIO Investors and the MIS Investors.

320. In the premises of paragraphs 319E to 319 above, EY did not conduct its audit of the FY15 Financial Report in relation to the Recognised Establishment Fees and the Deferred Lease & Management Fees ~~FY15 Financial Statement in relation to the Upfront Fees and the Deferred Lease & Management Fees~~ as a reasonable auditor would have done.

Particulars

This is to be inferred from the fact EY did not take the steps that a reasonable auditor would have taken, as pleaded in paragraphs 312A to 313A ~~314, 318~~ and 319 above.

~~*Further particulars will be provided following disclosure and expert evidence.*~~

L.2 FY15 AUDIT OPINION: S 1041H AND 12DA

321. Having regard to the matters pleaded in paragraphs 293 to 320, the conduct of EY in making the EY FY15 Financial Report Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or 12DA of the ASIC Act because the opinion was not:

(a) held on a reasonable basis and as the product of the application of reasonable care and skill by EY and Mr Dachs; and/or

(b) formed after EY had conducted an audit in accordance with the Auditing Standards pleaded in paragraphs 42 to 65 above.

L.3 FY15 AUDIT OPINION: S 1041E

Likely Effect of EY FY15 Financial Report Representation

322. The EY FY15 Financial Report Representation was likely to either:

   (a) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

   (b) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

EY FY15 Financial Report Representation materially false or misleading

323. The EY FY15 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

   (a) 293 to 309 and 321 above (concerning the FY15 BA Carrying Value);

   (b) 309A to 309N and 321 above (concerning the FY15 Unconsolidated Investments);

   (c) 309O to 309Z and 321 above (concerning the FY15 Financial Instruments); and

   ~~(b)~~(d) 310 to 321 above (concerning the Upfront Fees and Deferred Lease & Management Fees).

EY and Mr Dachs' knowledge

324. EY and Mr Dachs ought to have recognised or identified the matters pleaded in paragraphs 294 to 298 above (concerning the risk of material misstatement of the FY15 BA Carrying Value).

325. EY and Mr Dachs ought to have known that sufficient audit evidence of the FY15 BA Carrying Value was required before they could be satisfied that the value of biological assets had not been misstated, before concluding that there had been no misstatement, as pleaded in paragraph 299 above.

326. EY and Mr Dachs ought to have known that such audit evidence included:

   (a) sufficient evidence that the assumptions underlying the value of the biological assets were appropriate; and/or

(b) an independent valuation of the biological assets.

327. EY and Mr Dachs ought to have known that they had not obtained such audit evidence during the FY15 audit.

328. [Not used]

329. A reasonable auditor auditing the FY15 Financial Report would have recognised, identified or known the matters pleaded in paragraphs 324 to 327 above.

330. In the premises of paragraphs 323 to 327, and 329 above, EY and Mr Dachs ought reasonably to have known that the EY FY15 Financial Report Representation was materially misleading.

331. In the premises of:

(a) paragraphs 322 and 329 to 330 above,

by making the EY FY15 Financial Report Representation, EY contravened s 1041E of the Corporations Act.

L.4 FY16 AUDIT: REASONABLE STEPS

FY16 BA Carrying Value

332. A reasonable auditor auditing the FY16 Financial Report would have complied with the Australian Auditing Standards.

Particulars

ASA 200 (11 November 2013) paragraph 18

333. A reasonable auditor auditing the FY16 Financial Report, applying professional scepticism, would have recognised that Quintis' ability to continue as a going concern was dependent upon its ability to raise funds from investors and financiers, as pleaded in paragraphs 75 to 76 above.

Particulars

(1) ASA 200 (1 December 2015), paragraphs 13(l), 15, 16 , A18, A19 and ~~A22~~ A20, as pleaded in paragraph 42 to 46 above;

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above; and*

(5) *Further particulars will be provided following disclosure and expert evidence.*

334. A reasonable auditor auditing the FY16 Financial Report would have recognised the substantial risk that one way Quintis could have attracted investors and financiers was to unreasonably increase the valuation of its biological assets.

Particulars

(1) *ASA 200 (1 December 2015), paragraphs 13(l), 15, A18, A19 and ~~A22~~ A20, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8 as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above; and*

(5) *Further particulars will be provided following disclosure and expert evidence.*

335. A reasonable auditor auditing the FY16 Financial Report would have recognised that the FY16 BA Carrying Value was based upon the Directors' assessment of the fair value of those assets, as pleaded in paragraph 126~~98~~ above.

Particulars

(1) *ASA 200 (1 December 2015), paragraphs 13(l), 15, 16 , A18, A19 and ~~A22~~ A20, as pleaded in paragraphs 42 to 46 above;*

(1A) ASA 240, paragraphs 16, 23, 24, 27 as pleaded in *paragraphs 46A, 46B, 46C and 46D above;*

(2) *ASA 300, paragraphs 2 and 8 as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above; and*

(6) *Further particulars will be provided following disclosure and expert evidence.*

335A. A reasonable auditor auditing the FY16 Financial Report would have recognised that the Directors' assessment of the fair value of Quintis' biological assets pleaded at paragraph 126 above was based on the discounted cashflow model pleaded at paragraph 127.

335B. A reasonable auditor auditing the FY16 Financial Report would have recognised that the discounted cashflow model pleaded at paragraph 127 above was sensitive to the significant inputs pleaded at paragraph 128 above.

336. In the premises of paragraphs ~~293~~ 332 and ~~296 above~~335B above, a reasonable auditor auditing the FY16 Financial Report would have identified a risk that Quintis materially overstated the value of its biological assets by reason of the assumptions adopted in the discounted cashflow model pleaded at paragraph 127 not being in accordance with the requirements of AASB 141 and AASB 13.

Particulars

(1) ASA 200 (1 December 2015), paragraphs 11(a), 13(l), 15, ~~17~~ 16, A18, A19 and ~~A22~~ A20, as pleaded in paragraphs 42 to 46 above;*

(1A) ASA 240, paragraphs 16, 23, 24, 27 as pleaded in *paragraphs 46A, 46B, 46C and 46D above;*

(2) ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;

(3) ASA 315 (1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;

(4) ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;

(4A) ASA 510, paragraph 11 as pleaded in paragraph 57 above;

(5) ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above; and

(6) Further particulars will be provided following disclosure and expert evidence.

337. Further, in the premises of paragraphs ~~293~~ 333 and ~~296~~ above 336B above, a reasonable auditor auditing the FY16 Financial Report would have assessed that risk as being significant.

Particulars

ASA 240, paragraphs 16, 23, 24, 27 as pleaded in *paragraphs 46A, 46B, 46C and 46D above.*

ASA 315 (1 December 2015), paragraph 28~~(e)~~ as pleaded in paragraph ~~51~~ 51E above.

Further particulars will be provided following disclosure and expert evidence.

338. Further, given the risk was significant, a reasonable auditor auditing the FY16 Financial Report would have required sufficient appropriate audit evidence that the value of

biological assets had not been misstated, before concluding that there had been no misstatement.

Particulars

(1) *ASA 200 (1 December 2015), paragraphs 13(l), 15, ~~17~~ 16, A18, A19 and ~~A22~~ A20 as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 315 (1 December 2015), paragraph 28~~(e)~~ as pleaded in paragraph ~~51~~ 51E above;*

(3) *ASA 330, paragraphs 7(b), 18, 26 and 27 as pleaded in paragraphs 52 and 53 above; and*

(3a) *ASA 500, paragraphs 5*, 27, 29, 31.

(4) *Further particulars will be provided following disclosure and expert evidence.*

339. Such appropriate audit evidence would have included:

(a) sufficient evidence that the assumptions pleaded at paragraph 100 above underlying the value of the biological assets were appropriate; ~~and/or~~

(a1) evidence concerning the competence and integrity of Quintis' internal expert, Mr Andrew Brown, given that Mr Brown's judgements impacted significant inputs in the valuation model concerning:

(i) survival rates;

(ii) theoretical heartwood yield for each tree at harvest;

(iii) assigned yield curve for each tree at harvest;

(iv) estimated time to harvest; and

(v) estimated oil content; and

(b) if a reasonable auditor could not be satisfied about the competence and integrity of Mr Brown, an independent valuation of the biological assets.

340. A reasonable auditor auditing the FY16 Financial Report would have ~~either~~:

(a) ensured its staff had the relevant expertise in auditing the fair value of sandalwood plantations; ~~or~~

(a1) ensured its staff included technical accounting experts with experience in the application of AASB 141and AASB 13 to biological assets such as those controlled by Quintis;

(b) obtained appropriate technical expertise from a third party~~,~~;

(c) analysed Quintis’ predicted heartwood yields for each of its sandalwood plantations and determined whether the predicted heartwood yields for newer plantations were significantly better than for older plantations;

(d) analysed Mr Brown’s competence and integrity as management’s expert to determine whether his assumptions represented sufficient appropriate audit evidence concerning the predictions of heartwood yield and the valuation of the biological assets;

(e) performed a sensitivity analysis to determine the correct discount rate to be applied to the valuation of Quintis’ sandalwood plantations;

(f) analysed the discounted cash flow model used by Quintis to ensure that the forecast number of trees at harvest did not exceed 420 stems per hectare for each sandalwood plantation;

(g) ascertained the basis upon which the estimated theoretical heartwood yield had been determined and whether it was realistic or achievable;

(h) considered the forecasted heartwood yield against appropriate supporting evidence corroborating Quintis’ management assertions;

(i) compared forecasted theoretical heartwood yield at harvest to Quintis’ actual harvest results to determine whether the forecasted heartwood yield was realistic and achievable;

(j) compared forecasted heartwood yield at harvest to scientific or academic studies in relation to heartwood yield of Indian sandalwood trees; and

(k) considered the controls Quintis had in place in respect of validating its assumptions as to forecasted heartwood yield, in order to obtain and understand the appropriate audit evidence pleaded in paragraph 339 above.

Particulars

(1) *ASA 540, paragraph 14 as pleaded in paragraph 61 above;*

(2) *ASA 620, including paragraphs 7 and A4 to A9 as pleaded in paragraph 64 above;~~ and~~*

(3) *ASA 240, paragraph 25*

(4) *ASA 300, paragraph 2, 3*

(5) *ASA 315, paragraphs 5, 27, 28*

(6) *ASA 330, paragraphs 2, 25, 26, 27; and*

(7) *ASA 500, paragraphs 4, 5, 27, 29, 31.*

(8) *Further particulars will be provided following disclosure and expert evidence.*

340A. In the premises of paragraph 340 above, a reasonable auditor auditing the FY16 Financial Report would have:

(a) concluded that representations by Mr Brown concerning the basis for the predicted heartwood yield was not sufficient appropriate audit evidence;

(b) recognised that Quintis' predicted heartwood yield for its newer sandalwood plantations predicted yields were significantly better than in older vintages and that the plantations utilising these predicted heartwood yields were material to the FY16 Carrying Value;

(c) concluded that it was unable to obtain sufficient appropriate audit evidence that the assumptions pleaded at paragraph 128 above underlying the value of biological assets were appropriate; and

(d) concluded that the only way to obtain sufficient appropriate audit evidence concerning the reasonableness of Quintis' predicted heartwood yield would be to request Quintis to engage a suitably qualified independent expert in Indian sandalwood to report on the validity of the heartwood yield predictions.

341. ~~A~~ If a reasonable auditor auditing the FY16 Financial Report ~~would not have been able to obtain appropriate audit evidence that the FY16 BA Carrying Value was not misstated because a reasonable staff member with the relevant expertise or reasonable third party expert would have concluded that~~ had requested Quintis to engage a suitably qualified independent expert, and Quintis did so, a reasonable auditor auditing the FY16 Financial Report would have concluded, based on advice from an independent third party expert, that:

(a) the assumptions underlying the FY16 BA Carrying Value ~~(~~as pleaded above in Part H.1 ~~above)~~ were not reasonable given:

(i) the matters pleaded in paragraph 169A above; and

(ii) past performance of sandalwood plantations ~~(as pleaded in Part G.1 above)~~ and past results from commercial harvests;

~~(iii) the assumptions were inconsistent with projections being reported to MIS Investors (as pleaded in paragraph 150 above);~~

~~(iv) past experience with the sale of Sandalwood plantations (as pleaded above Part G.2); and~~

(a) those assumptions were corrected for the purpose of the FY17 Financial Report (as pleaded above in Part G.3), even though there has been no change in the market which caused a change to those assumptions; and

(b) the FY16 BA Carrying Value did not give a fair value of Quintis' biological assets, when compared to an independent valuation of those assets.

342. In the circumstances pleaded in paragraph 341 above, a reasonable auditor auditing the FY16 Financial Report would have reached the conclusions pleaded in paragraphs 169A to 176 above, with respect to the FY16 Financial Report.

Particulars

ASA 330, paragraph 27 as pleaded in paragraph 53 above

ASA 510, paragraph 10 as pleaded in paragraph 58 above

Further particulars will be provided following disclosure and expert evidence.

343. Alternatively, a reasonable auditor auditing the FY16 Financial Report, if they were not able to obtain sufficient appropriate audit evidence to support the FY16 BA Carrying Value, would have concluded that there was insufficient audit evidence to support an unqualified audit opinion.

Particulars

ASA 330, paragraph 27 as pleaded in paragraph 53 above

ASA 510, paragraph 10 as pleaded in paragraph 58 above

Further particulars will be provided following disclosure and expert evidence.

344. A reasonable auditor auditing the FY16 Financial Report, who had reached either of the conclusions pleaded in paragraphs 342 or paragraph 343 above would have communicated ~~those~~ the matters pleaded in paragraphs 342 or paragraph 343 above to the Directors and requested the Directors to correct those matters by amending the FY16 Financial Report or providing sufficient audit evidence.

Particulars

ASA 450, paragraph 8 as pleaded in paragraph 54 above

Further particulars will be provided following disclosure and expert evidence.

345. If a reasonable auditor auditing the FY16 Financial Report had requested sufficient audit evidence from the Directors as pleaded in paragraph 344 above, they would not have received sufficient audit evidence, for the reasons pleaded in subparagraphs 341 above.

346. Unless the Directors corrected the matters raised, a reasonable auditor auditing the FY16 Financial Report who reached the conclusions pleaded in paragraphs 342 or 343 above ~~or did not receive sufficient audit evidence (as pleaded in paragraphs 344 and 345 above)~~ would have expressed an adverse audit opinion, including the reasons for that adverse audit opinion.

347. The FY16 Audit Opinion did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

347A. In auditing the FY16 Financial Report, EY identified that the carrying value of Quintis' biological assets was an area of audit focus.

Particulars

EY FY16 Audit Plan, EYQ.101.001.6411 of EYQ.101.001.6405

347B. In auditing the FY16 Financial Report, EY identified the carrying value of Quintis' biological assets was sensitive to the significant inputs pleaded at paragraph 128.

Particulars

EY FY16 Audit Plan, EYQ.101.001.6411 of EYQ.101.001.6405

347C. In auditing the FY16 Financial Report, EY's audit work concerning the FY16 Carrying Value involved:

(a) procedures validating existence, whereby EY engaged its in-house actuary to sign off on the statistical tree count method adopted by Quintis;

(b) procedures validating measurement concerning the assumptions in the discounted cashflow model pleaded in paragraph 127 and the significant inputs pleaded at paragraph 128 above for compliance with the requirements of AASB 141 and AASB 13, whereby EY:

(i) reconfirmed its understanding of Mr Brown's judgements concerning the assumptions in the theoretical yield curve;

(ii) analysed the basis for predicting the heartwood yield of trees less than 5 years old and trees greater than 5 years old;

(iii) analysed estimates of heartwood yield based on research and testing done by Mr Brown;

(iv) analysed the heartwood yield results of Quintis' 2014 and 2015 commercial harvests;

(v) engaged the EY Valuation and Business Modelling team to review the key economic assumptions used in the valuation model;

(vi) engaged the EY Transaction Advisory Services team to audit the discount rates applied to the trees; and

(vii) reviewed sensitivity analysis on the key economic assumptions to determine whether the biological asset value recognised at balance date was within a tolerable range.

Particulars

EY FY16 Biological Asset Assumptions Assessment Memorandum, dated 30 July 2016, EYQ.101.001.5327

EY Work Paper titled 'TFS Statistical Inventory Count Method Review as at 30 June 2015', dated 29 August 2015, EYQ.101.001.0231

EY FY16 Closing Report, EYQ.101.001.4266

347D. In performing the audit work pleaded at paragraph 347C above, EY concluded that the assumptions in the discounted cashflow model pleaded in paragraph 127 and the significant inputs pleaded at paragraph 128 were not unreasonable and remained appropriate.

Particulars

EY FY16 Closing Report, EYQ.101.001.4266

EY FY16 Biological Asset Assumptions Assessment Memorandum, dated 30 July 2016, EYQ.101.001.5327

347E. In auditing the FY16 Financial Report, and arriving at the conclusions it did at paragraph 347D above, EY did not take the steps pleaded in paragraphs 340 to 344 above which a reasonable auditor would have taken.

347F. In the premises of paragraphs 347C to 347E above, EY's audit of the FY16 Financial Report failed to recognise the matters pleaded in paragraph 169A above.

347G. In the premises of paragraphs 347C to 347F above, EY did not obtain sufficient appropriate audit evidence that the FY16 BA Carrying Value was not misstated which a reasonable auditor would have reocgnised.

348. In the premises of paragraphs 332 to 347 above, EY did not conduct its audit of the FY16 Financial Statement in relation to the FY16 BA Carrying Value as a reasonable auditor would have done.

Particulars

This is to be inferred from the fact EY did not take the steps that a reasonable auditor would have taken, as pleaded in paragraphs 344 and 345 above.

Further particulars will be provided following disclosure and expert evidence.

FY16 Consolidation

348A. Further or in the alternative, a reasonable auditor auditing the FY16 Financial Report would have recognised a significant risk that Quintis had failed to correctly determine whether the FY16 Unconsolidated Investments were required to be consolidated in accordance with AASB 10 and that this posed a risk of material misstatement in the FY16 Financial Report.

Particulars

(1) ASA 300, paragraph 7, 9(b)

348B. A reasonable auditor auditing the FY16 Financial Report would have recognised a significant risk that Quintis had failed to correctly apply AASB 10 to present the financial affairs of Quintis and the investments that it controlled as a single economic entity and that this posed a risk of material misstatement in the FY16 Financial Report.

Particulars

(1) ASA 330, paragraphs 6, 7, 26

348C. A reasonable auditor auditing the FY16 Financial Report would have assessed Quintis':

(a) power over each of the FY16 Unconsolidated Investments;

(b) exposure to variable returns from its involvement with each of the FY16 Unconsolidated Investments; and

(c) ability to use its power over each of the FY16 Unconsolidated Investments to affect the amount of Quintis' returns.

348D. A reasonable auditor auditing the FY16 Financial Report would have considered whether the FY16 Financial Report presented the financial affairs of Quintis and the investments that it controlled as a single economic entity.

348E. A reasonable auditor auditing the FY16 Financial Report would have recognised the matters pleaded in paragraph 176B above.

348F. A reasonable auditor auditing the FY16 Financial Report who took the steps pleaded in paragraphs 348A to 348E above would have reached the conclusions pleaded in paragraphs 176B to 176E above.

348G. A reasonable auditor auditing the FY16 Financial Report who reached the conclusions in paragraphs 348E and 348F above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY16 Financial Report or providing appropriate audit evidence.

348H. If a reasonable auditor auditing the FY16 Financial Report had requested appropriate audit evidence from the Directors as pleaded in paragraph 348G above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 176B to 176E above.

348I. A reasonable auditor auditing the FY16 Financial Report who reached the conclusions pleaded in paragraph 348F above would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

348J. The FY16 Financial Report did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

348K. In auditing the FY16 Financial Report, EY performed the following audit procedures concerning the application of AASB 10 whereby it:

(a) accepted the 30% consolidation threshold applied by Quintis in determining whether to consolidate its MIS investments;

(b) analysed Quintis' direct and indirect interest in its MIS investments and concluded that Quintis was the parent and had control of the MIS investment, and required consolidation in accordance with AASB 10, where it held a variable interest in the MIS investment of greater than 30%; and

(c) did not consider whether any BC investments needed to be consolidated.

Particulars

(1) *Memorandum titled 'AASB 10 Consolidated Financial Statements' dated 3 August 2016 (EYQ.101.001.3213)*

(2) *EY Work Paper titled 'FY16 B10.02 AASB 10 MIS Consolidation Tree Val Model' (EYQ.101.001.0720)*

348L. In performing the audit procedures pleaded at paragraph 348K above, EY did not reach the conclusions a reasonable auditor auditing the FY16 Financial Report would have reached as pleaded in paragraph 348E and 348F above, or take the steps that a reasonable auditor would have taken, as pleaded in paragraph 348C above.

348M. In the premises, EY did not conduct its audit of the FY16 Financial Report as a reasonable auditor would have.

FY16 Financial Instruments

348N. Further or in the alternative, a reasonable auditor auditing the FY16 Financial Report would have recognised a significant risk that Quintis had failed to correctly determine whether AASB 117 and AASB 118 or AASB 132 applied to the MIS Contracts and the SIO Contracts and that this posed a risk of material misstatement in the FY16 Financial Report.

348O. A reasonable auditor auditing the FY16 Financial Report would have determined whether AASB 117 and AASB 118 or AASB 132 applied to the MIS Contracts and the SIO Contracts.

348P. A reasonable auditor auditing the FY16 Financial Report would have recognised the matters pleaded in paragraphs 176G above.

348Q. A reasonable auditor auditing the FY16 Financial Report who took the steps pleaded in paragraphs 348N to 348P above would have reached the conclusions in paragraphs 176G to 176J above.

348R. A reasonable auditor auditing the FY16 Financial Report who reached the conclusions pleaded in paragraphs 348P to 348Q above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY16 Financial Report or providing appropriate audit evidence.

348S. If a reasonable auditor auditing the FY16 Financial Report had requested appropriate audit evidence from the Directors as pleaded in paragraph 348R above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 176G to 176J above.

348T. A reasonable auditor auditing the FY16 Financial Report who reached the conclusions pleaded in paragraph 348S above would have expressed an adverse audit opinion, including describing the reason for the adverse audit opinion.

348U. The FY16 Financial Report did not contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

348V. In auditing the FY16 Financial Report, EY did not identify any specific risks or perform any audit procedures concerning the application of AASB 132 to the transactions between Quintis and SIO Investors and MIS Investors, which a reasonable auditor would have done as pleaded in paragraphs 348N to 348P above.

348W. In auditing the FY16 Financial Report, EY did not take the steps pleaded in paragraphs 348N to 348P above which a reasonable auditor would have taken.

348X. In failing to identify the risks and perform the steps pleaded at paragraphs 348N to 348P above, EY did not form the conclusions a reasonable auditor auditing the FY16 Financial Report would have reached as pleaded in paragraphs 348P to 348Q above.

348Y. In the premises, EY did not conduct its audit of the FY16 Financial Report as a reasonable auditor would have.

Recognition of Recognised Establishment Fees and Deferred Lease & Management Fees

349. Further or in the alternative, a ~~A~~ reasonable auditor auditing the FY16 Financial Report would have recognised that one way Quintis could have attracted investors and financiers was to increase its revenue by wrongly recognising the FY16 Establishment Fees as revenue and the FY16 Deferred Lease & Management Fees as an asset.

Particulars

(1) ASA 200 (11 November 2013), paragraphs 13(l),15, 16 and A20 , as pleaded in paragraphs 42 to 46 above;

(2) ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;

(3) *ASA 315 (~~11 November 2013~~ 1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7 (b), 18 and 21 as pleaded in paragraph 52 above; and*

(5) *Further particulars will be provided following disclosure and expert evidence.*

350. In the premises of paragraph 349 above, a reasonable auditor auditing the FY16 Financial Report would have identified a significant risk that Quintis may have wrongly recognised future income as current revenue, such as the Recognised Establishment Fees.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 11(a), 13(l), 15, 17 and A20, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (~~11 November 2013~~ 1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above; and*

(6) *Further particulars will be provided following disclosure and expert evidence.*

351. In the premises of paragraph 349 above, a reasonable auditor auditing the FY16 Financial Report would have identified a significant risk that Quintis may have wrongly recognised future potential income sources as assets, such as the FY16 Deferred Lease & Management Fees.

Particulars

(1) *ASA 200 (11 November 2013), paragraphs 11(a), 13(l), 15, 17 and A20, as pleaded in paragraphs 42 to 46 above;*

(2) *ASA 300, paragraphs 2 and 8, as pleaded in paragraphs 47 and 49 above;*

(3) *ASA 315 (~~11 November 2013~~ 1 December 2015), paragraphs ~~3~~5, 11, 12, 25, 26, 27, 28~~(e)~~, ~~A24 and A25,~~ as pleaded in paragraphs ~~50 to 51~~ 51A to 51E above;*

(4) *ASA 330, paragraphs 7(b), 18 and 21 as pleaded in paragraph 52 above;*

(5) *ASA 540, paragraphs 6, 12(b), 13, 14, 15(b) and 18 as pleaded in paragraphs 59 to 63 above; and*

(6) *Further particulars will be provided following disclosure and expert evidence.*

351A. In the premises of paragraphs 349 to 351 pleaded above, a reasonable auditor auditing the FY16 Financial Report would have identified the accounting treatment of Recognised Establishment Fees and Deferred Lease and Management Fees as a complex accounting issue and would have sought to obtain sufficient appropriate audit evidence that Quintis had correctly applied AASB 118.

~~352. A reasonable auditor auditing the FY16 Financial Report would have reviewed the terms of Quintis Investment Products, and taken advice in respect of the effect of those terms if necessary.~~

352A. A reasonable auditor auditing the FY16 Financial Report would have designed and undertaken audit procedures in order to:

(a) review the terms of the Quintis Investment Products and consult with technical experts in respect of the application of AASB 118 to the relevant terms;

(b) determine which of Quintis' Investment Products had deferred fee arrangements;

(c) determine the composition of the intangible asset recognised in respect of the Quintis Investment Products where deferral of the Lease and Management Fees had resulted in Quintis having an additional right to the future harvest proceeds of a sandalwood project; and

(d) determine, at the establishment of each Quintis Investment Product, what goods or services Quintis was committed to provide to the investor up to the point of harvest.

353. A reasonable auditor auditing the FY16 Financial Report would have recognised the matters pleaded above in paragraphs:

(a) 179 (substance of SIO Investors' investment); ~~and~~

(b) 180 (substance of MIS Investors' investment); and

(c) 181A (substance of BC Investors' investment).

354. A reasonable auditor auditing the FY16 Financial Report who took the steps pleaded in paragraphs 351A to 353 ~~352 to 353~~ would have reached the conclusions pleaded in paragraphs 184 and 190 to 192 above.

355. A reasonable auditor auditing the FY16 Financial Report, who had reached either of the conclusions pleaded in paragraphs 184 and 190 to 192 above would have communicated those conclusions to the Directors and requested the Directors to correct those matters by amending the FY16 Financial Report or providing appropriate audit evidence.

356. If a reasonable auditor auditing the FY16 Financial Report had requested sufficient audit evidence from the Directors as pleaded in paragraph 355 above, they would not have received sufficient audit evidence, for the reasons pleaded in paragraphs 179 to 181A ~~180~~ above.

357. A reasonable auditor auditing the FY16 Financial Report who reached the conclusions pleaded in paragraph 354 above would have expressed an adverse audit opinion, including the reasons for the adverse audit opinion.

358. The FY16 Audit Opinion did contain an adverse audit opinion.

What EY did and what a reasonable auditor ought to have done

358A. In auditing the FY16 Financial Report, EY identified that revenue recognition was an area of audit focus and planned audit procedures in relation to revenue recognition.

Particulars

(1) EY FY16 Audit Plan, EYQ.101.001.6418 of EYQ.101.001.6405

358B. In auditing the FY16 Financial Report, EY's FY16 Audit Plan did not identify the risks in respect of the transactions with investors not being accounted for in accordance with AASB 118.

358C. In auditing the FY16 Financial Report, EY's audit work involved:

(a) obtaining an understanding of Quintis' accounting policies surrounding the treatment of Recognised Establishment Fees;

(b) performing revenue cut-off testing through a review of material sales made near the balance date to determine whether transactions were recognised in the appropriate accounting period; and

(c) auditing the general purpose financial reports of the Quintis Investment Products for the relevant periods.

Particulars

(1) EY FY16 Audit Plan, EYQ.101.001.6405, EYQ.101.001.6412 and EYQ.101.001.6418 of EYQ.101.001.6405

358D. In auditing the FY16 Financial Report, and performing the audit work pleaded in paragraph 358C above, EY concurred with Quintis' accounting treatment which:

(a) recognised the Recognised Establishment Fees as representing the provision of a service to MIS Investors, SIO Investors and BC Investors;

(b) assumed that MIS Investors, SIO Investors and BC Investors held a 100% interest in the biological asset that Quintis established for them; and

(c) recognised Lease and Management Fees each year upon the investor paying the Lease and Management Fees in cash or electing to defer payment.

Particulars

(1) EY FY16 Closing Report, EYQ.101.001.4290 of EYQ.101.001.4266

358E. In auditing the FY16 Financial Report, and arriving at the conclusions it did at paragraph 358D above, EY did not take the steps pleaded in paragraphs 351A to 353 above.

358F. In the premises of paragraphs 358 to 358E pleaded above, EY did not conduct its audit of the FY16 Financial Report as a reasonable auditor would have done by taking the steps pleaded above in paragraphs 351A to 352A and failed to recognise the matters pleaded at paragraph 354 above which a reasonable auditor would have recognised.

358G. In the premises of paragraph 358F pleaded above, EY did obtain sufficient appropriate audit evidence to determine whether Quintis had correctly applied AASB 118 to its transactions with the BC Investors, SIO Investors and the MIS Investors.

359. In the premises of paragraphs 358 and 358G ~~358 above~~, EY did not conduct its audit of the FY16 Financial Report in relation to the Recognised Establishment Fees and the Deferred Lease & Management Fees ~~FY16 Financial Statement in relation to the Recognised Establishment Fees and the Deferred Lease & Management Fees~~ as a reasonable auditor would have done.

Particulars

This is to be inferred from the fact EY did not take the steps that a reasonable auditor would have taken, as pleaded in paragraphs 312A to 316A ~~353, 356~~ and 357 above.

~~Further particulars will be provided following disclosure and expert evidence.~~

L.5 FY16 AUDIT OPINION: S 1041H AND 12DA

360. Having regard to the matters pleaded in paragraphs 332 to 359 above, the conduct of EY in making the EY FY16 Financial Report Representation was misleading or deceptive or likely to mislead or deceive, in contravention of s 1041H of the Corporations Act and/or 12DA of the ASIC Act because the opinion was not:

(a) held on a reasonable basis and as the product of the application of reasonable care and skill by EY and Mr Lewson; and

(b) formed after EY had conducted an audit in accordance with the Auditing Standards pleaded in paragraphs 42 to 65 above.

L.6 FY16 AUDIT OPINION: S 1041E

Likely Effect of EY FY16 Financial Report Representation

361. The EY FY16 Financial Report Representation was likely to either:

    (a) induce persons in this jurisdiction to acquire financial products, being shares in Quintis; or

    (b) have the effect of increasing, reducing, maintaining or stabilising the price for trading in Quintis' shares on the ASX.

EY FY16 Financial Report Representation materially false or misleading

362. The EY FY16 Financial Report Representation was materially misleading for each of the reasons pleaded above in paragraphs:

    (a) 332 to 348 and 360 above (concerning the FY16 BA Carrying Value); ~~and~~

    (b) 309A to 309N and 321 above (concerning the FY15 Unconsolidated Investments);

    (c) 309O to 309Z and 321 above (concerning the FY15 Financial Instruments); and

    ~~(b)~~(d) 349 to 359 above (concerning the Recognised Establishment Fees and Deferred Lease & Management Fees).

EY and Mr Lewson's knowledge

363. EY and Mr Lewson ought to have recognised or identified the matters pleaded in paragraphs 333 to 337 above (concerning the risk of material misstatement of the FY16 BA Carrying Value).

364. EY and Mr Lewson ought to have known that sufficient audit evidence of the FY16 BA Carrying Value was required before they could be satisfied that the value of biological assets had not been misstated, before concluding that there had been no misstatement, as pleaded in paragraph 338 above.

365. EY and Mr Lewson ought to have known that such audit evidence included:

    (a) sufficient evidence that the assumptions underlying the value of the biological assets were appropriate; and/or

(b) an independent valuation of the biological assets.

366. EY and Mr Lewson ought to have known that they had not obtained such audit evidence during the FY16 audit.

367. [Not used]

368. Alternatively, a reasonable auditor auditing the FY16 Financial Report would have recognised, identified or known the matters pleaded in paragraphs 363 to 366 above.

369. In the premises of paragraph 362 and 368 above, EY and Mr Lewson ought reasonably to have known that the EY FY16 Financial Report Representation was materially misleading.

370. In the premises of paragraphs:

(a) 362 and 368 to 369 above,

by making the EY FY16 Financial Report Representation, EY contravened s 1041E of the Corporations Act.

L.7 AUDIT COUNTERFACTUAL

FY15 Financial Report

371. If EY and Mr Dachs had not made the EY FY15 Financial Report Representation in respect of the FY15 Financial Report then the FY15 Financial Report would not have been issued, as pleaded in paragraph 93 above.

372. Further or alternatively, the FY15 Financial Report would only have been issued, along with the audit opinion required by s 301 of the Corporations Act, if it did not contain the material misstatements concerning the FY15 BA Carrying Value and the Upfront Fees and Deferred Lease & Management Fees, and/or the FY15 Unconsoldiated Investments, and/or the application of AASB 132 to MIS and SIO Contracts, pleaded in Part H above.

FY16 Financial report

373. If EY and Mr Lewson had not made the FY16 Financial Report Representation in respect of the FY16 Financial Report then the FY16 Financial Report would not have been issued, as pleaded in paragraph 121 above.

374. Further or alternatively, the FY16 Financial Report would only have been issued, along with the audit opinion required by s 301 of the Corporations Act, if it did not contain the material misstatements concerning the FY16 BA Carrying Value and the Upfront Fees and Deferred Lease & Management Fees, and/or the FY16 Unconsoldiated Investments, and/or the application of AASB 132 to MIS and SIO Contracts, pleaded in Part H above.

M. EY'S NEGLIGENCE

375. At the time EY conducted the FY15 Audit and FY16 Audit, it was a term of the contract between Quintis and EY under which EY was retained to audit each of the FY15 Financial Report and the FY16 Financial Report that EY would exercise reasonable care and skill in:

(a) auditing each of the FY15 Financial Report and the FY16 Financial Report; and

(b) issuing the FY15 Audit Opinion and the FY16 Audit Opinion.

376. At the time EY conducted the FY15 Audit and FY16 Audit, it was required to comply with the obligations pleaded in paragraphs 33 to 40 above.

M.1 EY'S DUTY OF CARE: 2015

377. At the time EY conducted the FY15 Audit and issued the FY15 Audit Opinion, EY knew or ought reasonably to have known that:

(a) Quintis was listed on the market operated by the ASX and that ordinary shares in Quintis were traded on the market operated by the ASX;

(b) shareholders and potential shareholders in Quintis would rely on the FY15 Financial Report in making decisions about whether to purchase or dispose of ordinary shares in Quintis;

(c) shareholders and potential shareholders in Quintis would rely on the FY15 Audit Opinion (which was addressed to those shareholders) in making decisions about whether to purchase or dispose of ordinary shares in Quintis;

(d) shareholders and potential shareholders in Quintis would rely on EY having conducted the FY15 Audit and prepared the FY15 Audit Opinion with reasonable care and skill in making decisions about whether to purchase or dispose of ordinary shares in Quintis;

(e) shareholders and potential shareholders in Quintis would rely on EY having conducted the FY15 Audit and prepared the FY15 Audit Opinion in accordance with the Auditing Standards including those pleaded in paragraphs 42 to 65 above in making decisions about whether to purchase or dispose of ordinary shares in Quintis; and

(f) shareholders and potential shareholders in Quintis would rely on EY having conducted the FY15 Audit and prepared the FY15 Audit Opinion in accordance with the obligations pleaded in paragraphs 33 to 40 above in making decisions about whether to purchase or dispose of ordinary shares in Quintis.

378. At the time EY conducted the FY15 Audit and issued the FY15 Audit Opinion, EY knew or ought reasonably to have known that:

(a) a failure to conduct the FY15 Audit and prepare the FY15 Audit Opinion with reasonable care and skill may cause a shareholder and a potential shareholder in Quintis to suffer harm in the form of economic loss by buying shares or further shares in Quintis in a misinformed market and at above their true value; and

(b) a failure to conduct the FY15 Audit and prepare the FY15 Audit Opinion in accordance with the Auditing Standards including those pleaded in paragraphs 42 to 65 above may cause a shareholder and a potential shareholder in Quintis to suffer harm in the form of economic loss by buying shares or further shares in Quintis in a misinformed market and at above their true value.

379. The risk of harm pleaded in paragraph 378 above was not insignificant.

380. At the time EY conducted the FY15 Audit and issued the FY15 Audit Opinion:

(a) shareholders and potential shareholders in Quintis had no relevant practical ability to protect themselves from the risk of harm pleaded in paragraph 378 above;

(b) shareholders and potential shareholders in Quintis could not direct, control or influence the manner in which EY conducted the FY15 Audit and issued the FY15 Audit Opinion;

(c) shareholders and potential shareholders in Quintis were dependent upon EY taking reasonable care to avoid the risk of harm pleaded in paragraph 378 above; and

(d) shareholders and potential shareholders in Quintis were vulnerable to harm resulting from a failure by EY to exercise reasonable care in performing the FY15 Audit and issuing the FY15 Audit Opinion.

381. By reason of the matters pleaded in paragraphs 379 to 380 above, in conducting the FY15 Audit and the FY15 Audit Opinion, EY owed a duty to shareholders and potential shareholders to take reasonable care in:

(a) the conduct of the FY15 Audit; and

(b) preparing its FY15 Audit Opinion,

to avoid the risk of harm pleaded in paragraph 378 above.

382. Some group members were shareholders in Quintis at 31 August 2015 and also purchased further shares in Quintis after that date.

M.2 EY'S DUTY OF CARE: 2016

383. At the time EY conducted the FY16 Audit and issued the FY16 Audit Opinion, EY knew or ought reasonably to have known that:

(a) Quintis was listed on the market operated by the ASX and that ordinary shares in Quintis were traded on the market operated by the ASX;

(b) shareholders and potential shareholders in Quintis would rely on the FY16 Financial Report in making decisions about whether to purchase or dispose of ordinary shares in Quintis;

(c) shareholders and potential shareholders in Quintis would rely on the FY16 Audit Opinion (which was addressed to those shareholders) in making decisions about whether to purchase or dispose of ordinary shares in Quintis;

(d) shareholders and potential shareholders in Quintis would rely on EY having conducted the FY16 Audit and prepared the FY16 Audit Opinion with reasonable care and skill in making decisions about whether to purchase or dispose of ordinary shares in Quintis; and

(e) shareholders and potential shareholders in Quintis would rely on EY having conducted the FY16 Audit and prepared the FY16 Audit Opinion in accordance with the Auditing Standards including those pleaded in paragraphs 42 to 65 above in making decisions about whether to purchase or dispose of ordinary shares in Quintis.

384. At the time EY conducted the FY16 Audit and issued the FY16 Audit Opinion, EY knew or ought reasonably to have known that:

(a) a failure to conduct the FY16 Audit and prepare the FY16 Audit Opinion with reasonable care and skill may cause a shareholder and a potential shareholder in Quintis to suffer harm in the form of economic loss by buying shares or further shares in Quintis in a misinformed market and at above their true value; and

(b) a failure to conduct the FY16 Audit and prepare the FY16 Audit Opinion in accordance with the Auditing Standards including those pleaded in paragraphs 42 to 65 above may cause a shareholder and a potential shareholder in Quintis to suffer harm in the form of economic loss by buying shares or further shares in Quintis in a misinformed market and at above their true value.

385. The risk of harm pleaded in paragraph 384 above was not insignificant.

386. At the time EY conducted the FY16 Audit and issued the FY16 Audit Opinion:

(a) shareholders and potential shareholders in Quintis had no practical ability to protect themselves from the risk of harm pleaded in paragraph 384 above;

(b) shareholders and potential shareholders in Quintis could not direct, control or influence the manner in which EY conducted the FY16 Audit and issued the FY16 Audit Opinion;

(c) shareholders and potential shareholders in Quintis were dependent upon EY taking reasonable care to avoid the risk of harm pleaded in paragraph 384 above;

(d) shareholders and potential shareholders in Quintis were vulnerable to harm resulting from a failure by EY to exercise reasonable care in performing each of the FY16 Audit and issuing each of the FY16 Audit Opinion.

387. By reason of the matters pleaded in paragraphs 384 to 386 above, in conducting the FY16 Audit and the FY16 Audit Opinion, EY owed a duty to shareholders and potential shareholders to take reasonable care in:

(a) the conduct of the FY16 Audit; and

(b) in preparing its FY16 Audit Opinion,

to avoid the risk of harm pleaded in paragraph 384 above.

388. The Applicant and some other group members were shareholders in Quintis at 26 August 2016 and also purchased further shares in Quintis after that date.

M.3 EY's Breach of Duty: FY15 Audit

389. The matters pleaded in paragraphs:

(a) 293 to 309 above (concerning the FY15 BA Carrying Value); and

(b) 309A ~~310~~ to 320 above (concerning the FY15 Consolidation, the FY15 Financial Instruments, the FY15 Establishment Fees and FY15 Deferred Lease & Management Fees)

are repeated.

390. In the premises of paragraph 389 above, EY breached its duty of care in relation to the FY15 Financial Statement.

M.4 EY's Breach of Duty: FY16 Audit

391. The matters pleaded in paragraphs:

(a) 332 to 348 above (concerning the FY16 BA Carrying Value); and

(b) 348A ~~349~~ to 359 above (concerning the FY16 Consolidation, the FY16 Financial Instruments, the FY16 Establishment Fees and FY16 Deferred Lease & Management Fees)

are repeated.

392. In the premises of paragraph 391 above, EY breached its duty of care in relation to the FY16 Financial Statement.

N. CAUSATION, LOSS AND DAMAGE

393. On or after 31 August 2015 and before 26 August 2016, the Applicants and some of the group members (**2015 New Shareholder Group Members**) acquired interests in Quintis shares.

394. On or after 26 August 2016, the Applicants and some of the group members acquired interests in Quintis shares (**2016 New Shareholder Group Members**).

N.1 MARKET-BASED CAUSATION

395. The Applicants and the 2015 New Shareholder Group Members acquired their interests in Quintis shares in a market where the matters pleaded and particularised in paragraphs 166 to 192 above had not been disclosed and had they been disclosed, would have had a material negative effect on the price of Quintis shares.

396. From 31 August 2015, the contraventions of the Corporations Act and the ASIC Act (or any one or a combination of them) pleaded above caused the market price of the Quintis shares traded on the ASX to be substantially greater than:

(a) their true value; or

(b) the market price that would have prevailed but for the contravention or contraventions.

397. Further or alternatively, from 31 August 2015, EY's breaches of duty pleaded above at paragraphs 389 to 390 (or any of the breaches or combination of them) caused the market price of the Quintis shares to be substantially greater than:

(a) their true value; or

(b) the market price that would have prevailed but for the contravention or contraventions.

398. The Applicants and the 2016 New Shareholder Group Members acquired their interests in Quintis shares in a market where the matters pleaded and particularised in paragraphs 166 to 192 above had not been disclosed and had they been disclosed, would have had a material negative effect on the price of Quintis shares.

399. From 26 August 2016, the contraventions of the Corporations Act <u>and the ASIC Act</u> (or any one or a combination of them) pleaded above caused the market price of the Quintis shares traded on the ASX to be substantially greater than:

(a) their true value; or

(b) the market price that would have prevailed but for the contravention or contraventions.

400. Further or alternatively, from 26 August 2016, EY's breaches of duty pleaded above at paragraphs 391 to 392 (or any of the breaches or combination of them) caused the market price of the Quintis shares to be substantially greater than:

(a) their true value; or

(b) the market price that would have prevailed but for the contravention or contraventions.

N.2 RELIANCE-BASED CAUSATION

401. Further, or in the alternative, in their decision to acquire interests in Quintis shares the Applicants and the 2015 New Shareholder Group Members relied upon one or more of:

(a) the FY15 Financial Report;

(b) the Quintis FY15 Financial Report Representation;

(c) the Quintis FY15 Profit Representation;

(d) the Quintis FY15 Assets Representation;

(e) Mr Wilson's FY15 Financial Report Representation;

(f) Mr Wilson's FY15 Profit Representation;

(g) Mr Wilson's FY15 Assets Representation; and

(h) the EY FY15 Financial Report Representation.

402. Further, or in the alternative, if EY had not breached its duty of care (or committed any of the breaches or combination of them) as pleaded paragraphs 389 to 390, then the Applicants and the 2015 New Shareholder Group Members would either:

(a) not have purchased Quintis shares; or

(b) would not have purchased Quintis shares at the price they did.

403. Further, or in the alternative, in their decision to acquire interests in Quintis shares the Applicants and the 2016 New Shareholder Group Members relied upon one or more of:

(a) the FY16 Financial Report;

(b) the Quintis FY16 Financial Report Representation;

(c) the Quintis FY16 Profit Representation;

(d) the Quintis FY16 Assets Representation;

(e) Mr Wilson's FY16 Financial Report Representation;

(f) Mr Wilson's FY16 Profit Representation;

(g) Mr Wilson's FY16 Assets Representation; and

(h) the EY FY16 Financial Report Representation.

404. Further, or in the alternative, if EY had not breached its duty of care (or committed any of the breaches or combination of them) as pleaded paragraphs 391 to 392, then the Applicants and the 2016 New Shareholder Group Members would either:

(a) not have purchased Quintis shares; or

(b) would not have purchased Quintis shares at the price they did.

N.3 LOSS AND DAMAGE

405. The Applicants and Group Members would not have acquired an interest in Quintis shares at the time they did, for the price they did or at all, if the contraventions outlined in Parts J, K, L had not occurred.

406. The Applicants still hold Quintis shares, which are now worthless.

407. The Group Members either still hold Quintis shares, which are now worthless, or sold those shares for a loss.

408. In the premises, the Applicants and Group Members claim the relief set out in this statement of claim.

O. DICTIONARY

Term	Definition	Paragraph Reference in Statement of Claim
AASB 10	Australian Accounting Standards Board Standard 10 titled *“Consolidated Financial Statements”* (compilations prepared on 1 October 2014 and 10 February 2015)	14(a)
AASB 101	Australian Accounting Standards Board Standard 101 titled “*Presentation of Financial Statements*” (compilation prepared on 16 July 2014)	14(b)
AASB 141	Australian Accounting Standards Board Standard 141 titled *“Agriculture”* (compilations prepared on 3 October 2013 and 13 February 2015)	14(c)
AASB 13	Australian Accounting Standards Board Standard 13 titled *“Fair Value Measurement”* (compilation prepared on 8 August 2014)	14(d)
AASB 117	Australian Accounting Standards Board Standard 117 titled “*Leases*” (compilations prepared on 3 October 2013 and 10 February 2015)	14(e)

Term	Definition	Paragraph Reference in Statement of Claim
AASB 118	Australian Accounting Standards Board Standard 118 titled “*Revenue*” (compilation prepared on 18 July 2014)	14(f)
AASB 132	Australian Accounting Standards Board Standard 132 titled “*Financial Instruments: Presentation”* (compilation prepared on 1 July 2014)	14(i)
AASB 138	Australian Accounting Standards Board Standard 138 titled “*Intangible Assets”* (compilation prepared on 12 August 2014	14(g)
Accounting Framework	Australian Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements (compilation prepared on 15 March 2016)	14(h)
Accounting Standard	An accounting standard, as defined by ss 9 and 334 of the Corporations Act	14
Additional Interest	The partial interest in the entitlement to the Net Proceeds of Sale of Sandalwood retained by QUINTIS and transferrable to investors in each year upon the investor’s election to pay the Option Fees (Net Proceeds of Sale being the Gross Proceeds of Sale, less the Costs of Harvest and Processing, the Selling and Marketing Fee and the Performance Fee or Incentive Fee, of the relevant lot)	0
ASA 200	Auditing and Assurance Standards Board Standard 200 titled “*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (compilations prepared on 11 November 2013 and 1 December 2015)	41(a)
ASA 300	Auditing and Assurance Standards Board Standard 300 titled “*Planning an Audit of a Financial Report*”	41(b)

Term	Definition	Paragraph Reference in Statement of Claim
	(compilations prepared on 11 November 2013 and 1 December 2015)	
ASA 315	Auditing and Assurance Standards Board Standard 315 titled "*Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*" (compilations prepared on 11 November 2013 and 1 December 2015)	41(c)
ASA 330	Auditing and Assurance Standards Board Standard 330 titled "*The Auditor's Responses to Assessed Risks*" (compilations prepared on 11 November 2013 and 1 December 2015)	41(d)
ASA 240	Auditing and Assurance Standards Board Standard 240 titled *"The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report"* (compilation prepared on 11 November 2013)	41(k)
ASA 450	Auditing and Assurance Standards Board Standard 450 titled "*Evaluation of Misstatements Identified during the Audit*" (compilations prepared on 27 October 2009 and 1 December 2015)	41(e)
ASA 510	Auditing and Assurance Standards Board Standard 510 titled "*Initial Audit Engagements – Opening Balances*" (compilation prepared on 27 October 2009)	41(f)
ASA 500	Auditing and Assurance Standards Board Standard titled *"Audit Evidence"* (compilations prepared on 11 November 2013 and 1 December 2015) (together and separately)	41(l)
ASA 540	Auditing and Assurance Standards Board Standard 540 titled "*Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*"	41(g)

Term	**Definition**	**Paragraph Reference in Statement of Claim**
	(compilations prepared on 27 June 2011 and 1 December 2015)	
ASA 620	Auditing and Assurance Standards Board Standard 620 titled "*Using the Work of an Auditor's Expert"* (compilation prepared on 27 October 2009)	41(h)
ASA 700	Auditing and Assurance Standards Board Standard 700 titled "*The Auditor's Report on a General Purpose Financial Report*" (compilations prepared on 1 July 2013 and 1 December 2015)	41(i)
ASA 705	Auditing and Assurance Standards Board Standard 705 titled "*Modifications to the Opinion in the Independent Auditor's Report*" (compilations prepared on 27 June 2011 and 1 December 2015)	41(j)
ASIC Act	*Australian Securities and Investments Commissions Act 2001* (Cth)	7(e)
ASX	Australian Securities Exchange	92
Auditing Standard	An auditing standard, as defined by ss 9 and 336 of the Corporations Act	41
Corporations Act	*Corporations Act 2001* (Cth)	5(a)
BC	"Beyond Carbon" or the Beyond Carbon Product, a plantation investment product sold by Quinitis to sold institutional investors	78(c)
BC Contracts	Contracts entered into between Quintis, or a wholly owned subsidiary of Quintis, and BC Investors during the period from about June 2009 until about June 2016	91B

Term	Definition	Paragraph Reference in Statement of Claim
BC Investors	Persons who entered into contracts with Quintis, or a wholly owned subsidiary of Quintis, pursuant to the Beyond Carbon investment offering.	91(a)
Deferred Lease & Management Fees	Deferred Lease & Management Fees reported as an intangible asset and accrued income receivable for the financial years ending 30 June 2015 and 30 June 2016	~~102,129, 185~~186
Directors	The directors of Quintis from time to time during the Material Times	18
EY	Ernst & Young, the Third Respondent	8
EY FY15 Financial Report Representation	The representation made by EY and Mr Timothy Dachs to members and potential investors of Quintis, that the FY15 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis, and that those opinions were held on a reasonable basis and were the product of the application of reasonable care and skill by EY and Mr Dachs and were formed after EY and Mr Dachs had conducted an audit in accordance with the Auditing Standards	120

Term	Definition	Paragraph Reference in Statement of Claim
EY FY16 Financial Report Representation	The representation made by EY and Mr Darren Lewson to members and potential investors of Quintis, that the FY16 Financial Report was in accordance with the Corporations Act, including that it complied with the Accounting Standards, and gave a true and fair view of the financial position and performance of Quintis, and that these opinions were held on a reasonable basis and were the product of the application of reasonable care and skill by EY and Mr Lewson and were formed after EY and Mr Lewson had conducted an audit in accordance with the Auditing Standards	148
FCA	*Federal Court of Australia Act 1976* (Cth)	1
FY15 Audit	Audit conducted by Ernst & Young of the FY15 Financial Report	32(a)
FY16 Audit	Audit conducted by Ernst & Young of the FY16 Financial Report	32(b)
FY15 Audit Opinion	The audit opinion of each of Mr Timothy Dachs and Ernst & Young as contained in the FY15 Financial Report that the FY15 Financial Report was in accordance with the Corporations Act, including by giving a true and fair view of the Quintis Group's financial position as at 30 June 2015 and of its performance for the year ended on that date, and that the FY15 Financial Report complied with the relevant Accounting Standards	108

Term	Definition	Paragraph Reference in Statement of Claim
FY16 Audit Opinion	The audit opinion of each of Mr Darren Lewson and Ernst & Young as contained in the FY16 Financial Report that the FY16 Financial Report was in accordance with the Corporations Act, including by giving a true and fair view of the Quintis Group's financial position as at 30 June 2016 and of its performance for the year ended on that date, and that the FY16 Financial Report complied with the relevant Accounting Standards	136
FY15 BA Carrying Value	The total biological asset value of $624,574,000 as reported in the FY15 Financial Report	97(c)
FY16 BA Carrying Value	The total biological asset value of $771,208,000 as reported the FY16 Financial Report	125(c)
FY15 Deferred Lease & Management Fees	Deferred Lease & Management Fees of $93,696,000 reported as an intangible asset and accrued income receivable in the financial year ended 30 June 2015	103
FY16 Deferred Lease & Management Fees	Deferred Lease & Management Fees of $109,507,000 reported as an intangible asset and accrued income receivable in the financial year ended 30 June 2016	131
FY15 Directors' Declaration	Declaration by the Directors contained in the FY15 Financial Report that in the Directors' opinion, the financial statements and notes contained in the FY15 Financial Report had been prepared in accordance with the requirements of the Corporations Act and Accounting Standards and other authoritative pronouncements of the AASB	106

Term	Definition	Paragraph Reference in Statement of Claim
FY16 Directors' Declaration	Declaration by the Directors contained in the FY16 Financial Report that in the Directors' opinion, the financial statements and notes contained in the FY16 Financial Report had been prepared in accordance with the requirements of the Corporations Act and Accounting Standards and other authoritative pronouncements of the AASB	134
~~**FY13 Financial Report**~~	~~Quintis' financial report for the financial year ended 30 June 2013~~	~~151~~
FY15 Financial Report	Quintis' financial report for the financial year ended 30 June 2015	92(a)
FY16 Financial Report	Quintis' financial report for the financial year ended 30 June 2016.	92(b)
FY17 Financial Report	Quintis' financial report for the financial year ended 30 June 2017	159
FY15 Recognised Establishment Fees	The Establishment Fees totalling approximately $79,647,000 recognised as revenue in the FY15 Financial Report .	102
FY16 Recognised Establishment Fees	The Establishment Fees totalling approximately $94,966,000 recognised as revenue in the FY16 Financial Report.	130
FY15 Revaluation Gain	Total reported gain of $136,632,000 on revaluation of Biological Assets in the financial year ended 30 June 2015	101

Term	Definition	Paragraph Reference in Statement of Claim
FY16 Revaluation Gain	Total reported gain of $76,893,000 on revaluation of Biological Assets in the financial year ended 30 June 2016	129
Fund	The GP Davis Superannuation Fund	1
Group Members	The persons on whose behalf the Applicants bring this proceeding	1
Material Times	The period from 1 July 2013 to 29 November 2017	3
MIS	Managed Investment Scheme, a plantation investment product sold by Quintis to Australian retail investors	78(b)
MIS Contracts	Contracts entered into between Quintis and MIS Investors during the period from about June 2000 until about June 2014 ~~between 1 July 2013 to 29 November 2017~~	85
MIS Investors	Persons who entered into an MIS Contract with Quintis between 1 July 2013 to 29 November 2017	85
Mr Wilson	Mr Frank Wilson, the Second Respondent and a Director, Chief Executive Officer & Managing Director of Quintis from time to time	7
Mr Wilson's FY15 Assets Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he held the opinion that *Quintis FY15 Assets Representation* resulted from the application of the Accounting Standards, and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	116

Term	Definition	Paragraph Reference in Statement of Claim
Mr Wilson's FY16 Assets Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he held the opinion that *Quintis FY16 Assets Representation* resulted from the application of the Accounting Standards, and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	144
Mr Wilson's FY15 Financial Report Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he was of the opinion that the FY15 Financial Report was in accordance with the Corporations Act and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	114
Mr Wilson's FY16 Financial Report Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he was of the opinion that the FY16 Financial Report was in accordance with the Corporations Act and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	142
Mr Wilson's FY15 Profit Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he held the opinion that the *Quintis FY15 Profit Representation* resulted from the application of the Accounting Standards, and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	118

Term	Definition	Paragraph Reference in Statement of Claim
Mr Wilson's FY16 Profit Representation	The representation made by Mr Wilson to members and potential investors of Quintis that he held the opinion that the *Quintis FY16 Profit Representation* resulted from the application of the Accounting Standards, and that this opinion was held on a reasonable basis and was the product of the application of reasonable care and skill by Mr Wilson	146
Option Fees	The Annual Property Management Fee and Annual Lease Fee paid by the SIO Investors, and the Annual Fee and Annual Rent paid by the MIS Investors	185
Quintis	Quintis Limited (ACN 092 200 854) (Administrators Appointed) (Receivers and Managers Appointed), the First Respondent	1(a)
Quintis FY15 Assets Representation	The representation made by Quintis to members and potential investors of Quintis that, as at 30 June 2015, Quintis had total assets of $1,173,335,000 and net assets of $574,523,000	111
Quintis FY16 Assets Representation	The representation made by Quintis to members and potential investors of Quintis that, as at 30 June 2016, Quintis had total assets of $1,491,958,000 and net assets of $747,222,000	139
Quintis FY15 Financial Report Representation	The representation made by Quintis to members and potential investors of Quintis that the FY15 Financial Report was in accordance with the Corporations Act, including that it complied with Accounting Standards and that it gave a true and fair view of the financial position and performance of Quintis.	110

Term	Definition	Paragraph Reference in Statement of Claim
Quintis FY16 Financial Report Representation	The representation made by Quintis to members and potential investors of Quintis that the FY16 Financial Report was in accordance with the Corporations Act, including that it complied with Accounting Standards and that it gave a true and fair view of the financial position and performance of Quintis	138
Quintis FY15 Profit Representation	The representation made by Quintis to members and potential investors of Quintis that Quintis had a post-tax profit for the financial year ended 30 June 2015 of $113,021,000	112
Quintis FY16 Profit Representation	The representation made by Quintis to members and potential investors of Quintis that Quintis had a post-tax profit for the financial year ended 30 June 2016 of $90,143,000.	140
Quintis Group	Quintis together with all the entities controlled by Quintis	16
Quintis Investment Products	Refers to both the Sophisticated Investor Offering product and the Managed Investment Scheme product sold by Quintis to high net worth individuals and Australian retail investors, respectively	78
Recognised Establishment Fees	The Recognised Establishment Fees of both the financial year ending 30 June 2015 and the financial year ending 30 June 2016	177
Sandalwood	Indian Sandalwood, santalum album	5(c)(i)
SIO	Sophisticated Investor Offering, a plantation investment product sold by Quintis to high net worth individuals	78(a)
SIO Contracts	Contracts entered into between Quintis and SIO Investors between 1 July 2013 to 29 November 2017	79

Term	Definition	Paragraph Reference in Statement of Claim
SIO Investors	Persons who entered into contracts with Quintis pursuant to a Sophisticated Investor Offering during the period from about June 2013 until about June 2016 ~~between 1 July 2013 and 29 November 2017~~	79
Unconsolidated FY15 Investments	TFS Sandalwood Project 2000; TFS Sandalwood Project 2002; TFS Sandalwood Project 2008; TFS Sandalwood Project 2009; TFS Sandalwood Project 2011; TFS Sandalwood Project 2012; TFS Sandalwood Project 2013; TFS Sandalwood Project 2014; BC 12 - JC2; BC 13 - JC; and BC 14 - DK	176(a)
Unconsolidated FY16 Investments	TFS Sandalwood Project 2000; TFS Sandalwood Project 2002; TFS Sandalwood Project 2008; TFS Sandalwood Project 2009; TFS Sandalwood Project 2011; TFS Sandalwood Project 2012; TFS Sandalwood Project 2013; TFS Sandalwood Project 2014; TFS Sandalwood Project 2015; BC 12 - JC2;	176(b)

Term	Definition	Paragraph Reference in Statement of Claim
	BC 13 - JC; and BC 14 - DK	
Upfront Annual Fee	The Annual Fee MIS Investors were obliged to pay upon entering into the MIS Contract in addition to the Establishment Fee and Upfront Rent.	86(a)
Upfront Rent	The Annual Rent MIS Investors were obliged to pay upon entering into the MIS Contract in addition to the Establishment Fee and Upfront Annual Fee.	86(a)
2015 New Shareholder Group Members	Group Members who acquired interests in Quintis shares on or after 31 August 2015 and before 26 August 2016	393
2016 New Shareholder Group Members	Group members who acquired interests in Quintis shares on or after 26 August 2016	394

Date: ~~31 August 2018~~ 5 August 2021

Signed by Simon Jacob Morris
Lawyer for the Applicants

This pleading was prepared by Jeremy Giles SC and Tom O’Brien, Barristers.

Certificate of lawyer

I Simon Jacob Morris certify to the Court that, in relation to the statement of claim filed on behalf of the Applicants, the factual and legal material available to me at present provides a proper basis for each allegation in the pleading.

Date: 5 August 2021

Signed by Simon Jacob Morris
Lawyer for the Applicants