

By Email: -

jeremy.newman@asx.com.au
tradinghaltspert@asx.com.au

ASX Compliance Pty Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000



6 June 2017

Dear Sir

Response to ASX Query

In response to your queries in a letter dated 10 May 2017, Quintis Ltd (ASX:QIN, "Quintis" or "the Company") provides the following information:

Cessation of Supply

1. Does the Entity consider the information that it has not supplied EISO to Galderma since 2015 ("Cessation of Supply to Galderma") to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

2. If the answer to question 1 is "no", please advise the basis for that view.

As advised on 10 May 2017, Quintis, through its now wholly owned, US-based pharmaceutical subsidiary Santalis Pharmaceuticals ("Santalis"), supplied over 1,200 kg of EISO (the Company's East Indian Sandalwood Oil) to Galderma under the supply contract signed in February 2014. All supplies occurred in the 2014 and 2015 calendar years.

Oil sales to Galderma contributed 1.5% of total sales revenue in FY14 and 2.5% of total sales revenue in FY15.

Quintis supplies sandalwood (Spicatum and Album) oil and wood products under multi-year contracts to a variety of buyers across a range of both markets and countries. The volumes and monetary value of the sale of EISO to Galderma were not in themselves material to the Group's results in those years and therefore not receiving subsequent orders was not in itself considered to be price sensitive information.

The supply agreement with Galderma did not contain fixed or minimum quantities of supply and therefore Galderma had no obligation to acquire Quintis' oil.

QUINTIS LTD ABN 97 092 200 854

THE OLD SWAN BREWERY
LEVEL 2, 171-173 MOUNTS BAY ROAD, PERTH WA 6000
PO BOX 3040, BROADWAY, NEDLANDS, WA 6009
T +618 9215 3000 F +618 9215 3090
INFO@QUINTIS.COM.AU QUINTIS.COM.AU

Galderma continued marketing the Benzac® product range (an anti-acne product containing Quintis' EISO distributed within the US) and paying royalties to Santalis on a quarterly basis. The last royalty payment was received in January 2017 by Santalis.

See further discussion in Answer 3 below.

3. When did the Entity first become aware of the Cessation of Supply to Galderma? In answering this question, please specify the date and time the Entity first became aware of the Cessation of Supply to Galderma.

The last shipment of EISO to Galderma occurred in June 2015.

Since June 2015, there have been on-going discussions between Quintis' former Managing Director, Santalis' management and Galderma regarding the sales performance of the Benzac® products and the marketing and distribution strategy of Galderma.

While nearly 2.0 million units of Benzac® were shipped in the year to 30 June 2016 (ASX announcement from 26 August 2016), the Company understood that these volumes were below Galderma's own sales projections.

The Company made several inquiries of Galderma as to the impact of its parent company Nestle's acquisition of ProActiv® (one of the world's largest over-the-counter acne treatment products and a competitor to Benzac®) in March 2016. For a number of months after the acquisition, Santalis' management and Quintis were aware that Galderma was assessing its strategy in light of this acquisition. Santalis' management was informed in August 2016 that Galderma's planning meetings for 2017 would take place in or around October 2016.

In September 2016, Santalis and Quintis were aware that the packaging of the Benzac® product had been changed by Galderma as part of a repositioning of the Benzac® product range. The changes included the addition of the Company's logo ("TFS" at the time) to the Benzac® packaging. The Company understands these units were manufactured by Galderma earlier in 2016.

The current Board and current senior management of Quintis now understand that Santalis' management became aware of Galderma's intention to terminate the supply contract on or around 30 November 2016. This termination agreement was signed on 16 December 2016. The current Board and current senior management team of Quintis were not aware of either this intention or the finalisation of the agreement until 9 May 2017.

On 9 May 2017 at 12:24pm Perth time, Quintis' senior management team received an enquiry from its media advisors asking for a response to a comment from Nestle that the contracts had been terminated. This was confirmed in subsequent telephone calls with the CEO of Santalis, who then provided current Quintis management with a copy of the "Termination of Licence Fee and Supply Agreements" ("Termination Agreement").

The Termination Agreement was signed on 16 December 2016 and the termination took effect from 1 January 2017.

Termination of Supply Agreement

4. Does the Entity consider that the agreement that terminated Galderma's licensing and supply arrangements with Santalis to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Quintis considers that if the current Board and current senior management had been aware of the Termination Agreement at the time it was signed, it is likely that the Company would have made an ASX announcement to that effect. This is not because the Company considers that the information represented by that Termination Agreement was information that a reasonable person would expect to have a material effect on the price or value of Quintis' securities, but instead to inform the market about the status of a contract that, whilst economically immaterial, had previously been the subject of direct announcement by, and media commentary on, Quintis.

5. If the answer to question 4 is "no", please advise the basis for that view.

Quintis does not consider that the agreement that terminated Galderma's licensing and supply arrangements with Santalis to be information that a reasonable person would expect to have a material effect on the price or value of its securities for the following reasons:

-) Oil sales to Galderma under the contract contributed 1.5% of total sales revenue in FY14, 2.5% of total sales revenue in FY15 and 0% of total sales revenue in FY16 and, as a result, these sales are not considered material to the financial position of Quintis;***
-) Quintis supplies sandalwood (Spicatum and Album) oil and wood products under multi-year contracts to a variety of buyers across a range of both markets and countries. The volumes and monetary value of the sale of oil to Galderma were not in themselves material to the Group's results; and***
-) Santalis' management is in ongoing discussions with Galderma regarding the development of Santalis' Rx (prescription) indications. Galderma has indicated potential interest, subject to the on-going FDA clinical trials, to be a future commercial partner of Santalis on these dermatology products.***

Reporting Lines

6. Please advise of the reporting and escalation processes that the Entity has in place with Santalis and comment as to whether the Entity considers that these processes are appropriate to ensure that information which is potentially market sensitive is promptly brought to the attention of the Entity's officers.

Quintis has a written policy that applies across its corporate group on information disclosure and relevant procedures to ensure that senior management are aware of its continuous disclosure requirements. This policy requires all staff to report information that a reasonable person would expect to have a material effect on the price or value of the Company's security to the appropriate officers of the Company. The policies are available on both Quintis website and intranet.

The reporting structure for Santalis includes the following:

-) Santalis' CEO reports directly to the Managing Director (now CEO) of Quintis;***
-) Quarterly Santalis Board meetings, with the Santalis Board comprising Quintis' Managing Director (now CEO) and Chairman, and attended by senior management of Santalis;***
-) Reporting from the management team of Santalis to the Quintis Board of Directors comprising a (generally) monthly report from the Santalis CEO;***
-) Reporting from the senior management team of Quintis to the Quintis Board of Directors including a report from the Managing Director of Quintis (now CEO) for each board meeting, which encompasses updates on material matters across the Group's operations, including Santalis; and***
-) Periodic attendance by the Santalis CEO at Quintis Board meetings to provide business updates. The Santalis CEO attended Board meetings in Perth, Australia, in June 2016 and February 2017.***

These reporting processes are supplemented by communication between the senior management teams of Santalis and Quintis. Santalis' CEO reports to the Managing Director (now CEO) of Quintis and there is regular interaction between the two officers. For example, the former Managing Director of Quintis, Frank Wilson, was directly involved in discussions with Galderma throughout 2014, 2015 and 2016, including in a number of meetings in the US.

Furthermore, there are regular meetings (via tele-conference) between the Santalis management team and members of the Quintis senior management team. These have been generally held on a weekly basis throughout 2017.

Separately, Executive Risk Committee meetings are held monthly, attended by Quintis' senior management, to monitor, manage and review significant business risks. The minutes of this Executive Risk Committee are included in the papers for the monthly Quintis Board meeting.

The Company considers that these processes are appropriate to ensure that information which is potentially market sensitive is promptly brought to the attention of the Company's directors and officers.

Sales Forecast and Earnings Guidance

- 7. The Entity has set out that the sales to Galderma under its agreement with Galderma ("Galderma Contract") have not been factored into the Entity's sales forecasts for the financial year ending 2017 ("FY2017"). Please answer the following.**
 - a) When did the Entity first consider its sales forecast for FY2017?**

The Budget for the year ended 30 June 2017 was approved by the Quintis Board on 26 May 2016.

b) When did the Entity first disclose to the market its sales forecast for FY2017?

In the ASX lodgments relating to the Company's FY2016 results on 26 August 2016, the Company provided earnings guidance for FY17, being that Cash EBITDA was expected to increase by at least 25% on FY16.

In the ASX lodgments relating to the Company's H1FY2017 results on 27 February 2017, Quintis provided additional guidance that total product sales were expected to be in the range of \$45 million to \$55 million for FY17.

c) On which dates (including its Response to Price Query announcement dated 23 March 2017) did the Entity confirm or revise its sales forecast for FY2017?

The Company also reaffirmed its guidance on 23 March 2017 that FY17 cash EBITDA was expected to increase by at least 25 % on FY16.

As noted in the Company's trading update released to ASX on 6 June 2017, market conditions are currently volatile given the recent sharp decline in the Company's share price, the suspension of trading of the Company's shares, the resignation of the Company's former Managing Director and the potential corporate transaction, which could include a change of control. In this environment, the Company is unable to accurately predict the outcome of the coming sales season and so the Company has withdrawn its Cash EBITDA guidance for the year to 30 June 2017.

d) In each of the above circumstances, what information did the Entity consider in determining not to include the sales to Galderma in the sales forecast for FY2017?

The supply agreement with Galderma did not contain fixed or minimum quantities of supply and therefore Galderma had no obligation to acquire the Company's oil.

As set out in the Company's ASX release on 10 May 2017, Galderma has not acquired any oil since 2015.

In March 2016, Galderma's parent company, Nestle, acquired a majority stake in ProActiv®, the world's leading non-prescription anti-acne brand.

Discussions with Galderma regarding their plans for the marketing and distribution of Benzac® continued through 2016 (refer to response to Question 3 above).

Due to this uncertainty, the Company did not include any oil sales to Galderma in the FY17 forecasts.

8. Please advise whether the Earnings Guidance continues to apply?

Refer to response to Question 7(c) above.

9. The Entity has set out that all supplies pursuant to the Galderma Contract occurred in the 2014 and 2015 calendar years. Since 1 January 2016, the Entity has prepared, amongst other things, its annual report for the period ending 30 June 2016 and its financial statement for the half year ending 31 December 2016. In preparing these financial statements, please advise whether:
 - a) the Entity's board of directors ("Board") made any queries to Santalis in respect of the Galderma Contract and whether further orders were likely to be made pursuant to the Galderma Contract; and

The Quintis Board continued to periodically monitor the status of Galderma's plans for Benzac[®] following Nestle's acquisition of ProActiv[®] with regular dialogue between the current Quintis Board and Santalis and between the current Quintis Board and the former Managing Director. The processes included the former Managing Director receiving direct updates from Santalis, Santalis providing reporting direct to the Quintis Board and the former Managing Director updating the Quintis Board at Quintis Board meetings. This reporting to the Quintis Board referred to the fact that Galderma had not ordered any oil since 2015 but at no stage prior to 9 May 2017 were the current Quintis Board provided with an update to indicate the Galderma contract was in the process of being terminated or the existence of the Termination Agreement.

- b) the Entity's senior management ("Senior Management") made any queries to Santalis in respect of the Galderma Contract and whether further orders were likely to be made pursuant to the Galderma Contract.

Current senior management of Quintis requested updates from Santalis of the status of Galderma's product sales throughout 2016 and 2017 as part of the regular reporting and communication between the two entities.

At no stage prior to 9 May 2017 were current senior management of Quintis provided with an update to indicate the Galderma contract was in the process of being terminated or the existence of the Termination Agreement.

10. On 27 March 2017, the Board authorised and approved a response to ASX queries disclosing that the Galderma Contract had a 20 year term from 2014 and confirming that the Entity was in compliance with Listing Rule 3.1. Please advise what diligence the Board undertook in:
 - a) disclosing that the Galderma Contract had a 20 year term from 2014; and

Refer to response to Question 6 above.

The Board relied on the processes outlined and the representations of senior management of Quintis in preparation of the 27 March 2017 response. The former Managing Director was directly involved in the preparation of the response.

- b) confirming compliance with Listing Rule 3.1 at that point in time.

Based on the responses to Questions 6 and 10 (a) above, the Board had no reason to believe that it was not in compliance with Listing Rule 3.1.

11. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1. In making the confirmation, please set out whether the Entity has reporting procedures that the Board considers to be appropriate for a listed entity.

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

Quintis is currently suspended from official quotation pending on-going discussions regarding a potential corporate transaction, the release of an announcement of the impact of market and trading conditions on the Company's expected financial results and strategic outlook and the finalisation of this response.

The Company considers its reporting procedures to be appropriate for a listed entity. Further to the Company's response to Question 6 above, the Board formally considers its continuous disclosure reporting obligations at each Board meeting.

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

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

Yours faithfully



Julius Matthys
Chief Executive Officer