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International Equities Corporation Ltd
A.B.N. 97 009 089 696

15th March 2017

Mr Dale Allen
Senior Adviser
ASX Listings Compliance
Level 40, Central Park,
152 – 158 St George's Terrace
Perth WA 6000

By email

Dear Mr Allen,

RE: International Equities Corporation Ltd ("Entity"): ASX Aware Letter

We refer to your letter of 1st March 2017 with regard to the above.

Background

The Company's business is in property development, property management and hotel management under the Seasons brand. Properties are located around Australia.

While the Company's property development and management businesses have generated profits over time, the businesses are cyclical. The results for the Company in particular are influenced by not just market conditions, but by the number of properties developed and sold during a particular accounting period.

The Company's share's over the last 12 months has been traded between 5.3 cents and 6.6 cents.

The Company's lender, Bank of Melbourne Limited (**BOM**), has been providing banking facilities for 5 years.

The Valuation

On 21 September 2016 BOM provided the Company with an independent valuation (**Valuation**) it had obtained of the Company's Seasons of Perth Hotel (**SOP**). The Valuation valued SOP at \$24m, being \$6m less than the carrying book value of SOP.

BOM advised that the Valuation was subject to internal review for compliance/acceptance. The Board reviewed the Valuation and did not agree with it, however did not challenge it at that time as BOM had not acted on it.

The Company did however commence discussions with BOM concerning its facilities and in particular it thought it prudent to retain its finance broker to work with BOM to finalise a proposal to reduce the debt exposure to SOP. A draft proposal was put to BOM in November 2016.

Negotiations with BOM are continuing around reintroducing an amortisation program and setting new covenants. A proposal has been put to BOM but not yet accepted. The Company made a voluntary lump sum payment of \$225,000 in December 2016 to reduce exposure as part of the Proposal.

The Company extended its auditors a copy of the Valuation on 2 December 2016 in the context of preparation of the 31 December 2016 Half Year Financial Report (**Half Year Financial Report**).

Bank decision

On 22 February 2017 BOM met with representatives of the Company and advised that it would accept the Valuation and revalue SOP. At that meeting it gave the Company a notice that the Company was in breach of its lending covenants as a result (**Breach Notice**). BOM advised the Company that, while it currently did not propose to take any action in relation to the Breach Notice it reserved its rights to do so. The Breach Notice also required a repayment proposal acceptable to BOM be negotiated. As stated, the Company had already commenced this process.

Relations with BOM then and now remain cordial and both parties are cooperating with each other to achieve an acceptable solution. No deadlines have been given by BOM, it has not given any notice demanding repayment of its finance facilities and it has not appointed any external advisers or corporate restructure specialists to the Company.

The Company then advised its auditors of the Breach Notice, having already extended them the Valuation on 2 December 2016 as part of the process for completion of the review of the Half Year Financial Report. The Company and its auditors were in discussion concerning the impact of the Valuation until the Company advised the auditors of the Breach Notice on 23 February 2017.

On 23 February 2017 the auditors advised of a cascading event. Given the Breach Notice related to a Valuation dated 9 August 2016 and emailed on 21 September 2016, the appropriate accounting treatment was to amend the 30 June 2016 Financial Report by revaluing SOP and re-classifying the debt to BOM.

The Board met on 23 February 2017 to consider this advice, the implications of the Breach Notice and the 31 December 2016 Half Year Financial Report (**Half Year Report**). The Board accepted this advice and resolved to approve and lodge the Half Year Report subject to final review and sign off by the auditor, and this occurred on 28 February 2017.

Post lodgment of Half Year Financial Report

Since the lodgment of the Half Year Financial Report the Company has continued to work with BOM on a plan to restructure the BOM finance facilities and covenants.

As stated in the Half Year Financial Report, the Board considers that the Breach Notice has and will have no impact on the going concern operations or solvency of the Company for a number of reasons including:

1. The demonstrated ability to sell down existing stocks of apartments located in Melbourne to reduce debt. The property market in Melbourne, in particular, remains strong;
2. The ability to dispose of certain non-current assets to extinguish the loans in their entirety;
3. The demonstrated ability to draw from equity from other existing loans;
4. The ongoing relationship with BOM.
5. The financial strength of its largest shareholders.

In answer to ASX's specific questions:

1. Does the Entity consider the \$6 million revaluation decrement 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

The revaluation decrement does not impact the operations or cash flow of the Company's business and the asset in question is not an asset held for sale. The asset in question will not change in terms of its cash generating ability as a result of the decrement.

While the Company has accepted the Valuation in completing its Half Year Financial Report, it is of the belief that the Valuation is conservative.

3. When did the Entity first become aware of the \$6 million revaluation decrement

The Company became aware of the Valuation on 21 September 2016 and BOM's decision to accept the SOP revaluation on 22 February 2017.

4. If the answer to question 1 is "yes" and the Entity first became aware of the \$6 million revaluation decrement before it released the Half Year Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information

under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay

Not applicable.

5. Does the Entity consider the information contained in the BOM Report to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

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

The BOM Report was the Valuation referred to above. It was of no effect by and of itself until BOM took any action in relation to it. The report was commissioned by BOM for their internal review.

7. When did the Entity first become aware of the BOM Report? Please provide the date that the Directors received the BOM Report. Please also provide the date the BOM Report was 'ultimately accepted' by BOM of Melbourne.

21 September 2016. BOM advised the Company that it accepted the Valuation on 22 February 2017 when it issued the Breach Notice.

8. If the answer to question 5 is "yes" and the Entity first became aware of the BOM Report before it released the Half Year Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay

Not applicable

9. Does the Entity consider the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification, causing a 1,062% decline in the Entity's working capital position to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

10. If the answer to question 9 is "no", please advise the basis for that view.

The question of materiality of effect on share price or valuation should be examined in the context of all the circumstances of the Company and the impact of the information in question. In the Company's view an investor would consider the Breach Notice in relation to the Company's solvency, and would come to the conclusion that there was no or minimal impact as:

1. The asset reclassification did not impact the Company's ongoing operations or cashflow. The revalued asset in question is not an asset held for sale and its cash generating performance has not been affected by the debt reclassification;
2. The relationship with BOM remains cordial. BOM has reserved its rights but has not indicated that it will terminate any facility with the Company, has not appointed an external adviser to the Company, and has been working with the Company on the Company's plans around reintroducing an amortisation program and setting new covenants. No deadline has been imposed by BOM in doing so;
3. If the Company is able to enter into a new finance facility the debt may again be classified as non-current;
4. The Valuation and resulting asset reclassification are as a result of the decline in property values in Western Australia, which is an issue outside the control of the Company. The asset reclassification was therefore not a result of any action or inaction of the Company;
5. The Company operates in an environment where fluctuations in net profit and working capital are common and expected. The decline in property values in Western Australia is public information and well known;
6. The Company's share price did not in fact change when information concerning the Covenant Breach was released with the Half Year Report, and has not changed since that date.

The Company also refers to its response to question 17.

11. When did the Entity first become aware of the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification?

22 February 2017.

12. If the answer to question 9 is "yes" and the Entity first became aware of the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification before it released the Half Year Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay

Not applicable.

13. Did the Entity provide its auditors with a copy of the BOM Report at the time it was received by the Entity?

No.

14. Please advise the date the BOM report was provided to the Entity's auditors.

The BOM report was provided to the auditors on 2 December 2016. The Breach Notice was provided to the Entity's auditors on 23 February 2017.

15. If the Entity did not provide its auditors with a copy of the BOM report prior to the release of the Entity's Annual Report on the ASX Market Announcement Platform on 14 October 2016, please explain why the BOM report was not provided to the Entity's auditor.

Not applicable.

16. Is the Entity of the view that its financial condition is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?

Yes.

17. If the answer to question 16 is "yes", please explain the basis on which the Entity has formed the conclusion that the financial condition of the Entity is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rules 12.2. Specifically, the Entity should submit the reasons (including any previous disclosures made to the market) it considers relevant given the matters outlined in the Auditor's Report in the Half Year Report resulting in the emphasis of matter regarding going concern arising from the BOM Report adjustments and debt reclassification.

As stated, the asset reclassification did not impact the Company's ongoing operations or cashflow. The revalued asset in question is not an asset held for sale and its cash generating performance has not been affected by the debt reclassification.

As stated in the Half Year Financial Report, the Board considers the Company to be solvent and has prepared the Financial Report on a going concern basis, which contemplates business activities continuing on a normal basis. In particular, Note 6 refers to:

- The demonstrated ability to obtain refinancing for existing loans;
- The demonstrated ability to sell down existing stocks of apartments located in Melbourne to reduce debt. The property market in Melbourne, in particular, remains strong;
- The ability to dispose of certain non-current assets to extinguish the loans in their entirety;
- The ability to raise capital from shareholders or loans from shareholders / related parties.

18. *If the answer to question 16 is "no", please explain what steps the Entity has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.*

Not applicable.

19. *Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

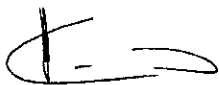
We confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

20. *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 its board or an officer of Entity with delegated authority from the board to respond to ASX on disclosure matters.*

We confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

Yours sincerely,

For and on behalf of
The Board of Directors of
International Equities Corporation Ltd



Aubrey Menezes
Director, Chief Financial Officer and Company Secretary



1 March 2017

Mr Aubrey Menezes
Director, Chief Financial Officer & Company Secretary
International Equities Corporation Limited

By email

Dear Mr Menezes

INTERNATIONAL EQUITIES CORPORATION LIMITED ("ENTITY"): ASX AWARE LETTER

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

1. The Entity's announcement dated 14 October 2016 entitled '*Annual Report to shareholders*' ("Annual Report") which disclosed at note 17 to the 30 June 2016 accounts, that the Entity had secured bank loans classified as non-current interest bearing liabilities of \$19.23 million.
2. The Annual Report to shareholders also contained commentary at note 17 to the accounts which stated the following:

"The covenants within the bank borrowings of a major lender require the minimum EBITDA of \$2.3m and Gross Operating Income of \$2.9m from the operations of Renaissance Australia Pty Ltd and Seasons Heritage Pty Ltd, respectively. In addition, the maximum property finance to loan value ratios (LVR) cannot exceed 55% and reducing to 53% by September 2016."

3. Note 1(y) of the Annual Report stated that with respect to the Entity's compliance with the covenants:

"The Group has certain obligations under its existing loan facilities and these include the requirement to meet certain financial covenants. As at 30 June 2016, the Group has met all its covenants in relation to the bank loan of \$19.73 million."

4. The Entity's announcement dated 28 February 2017 entitled '*Appendix 4D and Half Yearly Report and Accounts*', ("Half Year Report") which disclosed in Note 1(b) to the half year accounts the following:

"Errors were made in the 30 June 2016 financial statements in relation to the value of Seasons of Perth Hotel ("SOP"). Around late September 2016, the Directors received a valuation report from Bank of Melbourne ("BOM"), the Group's primary financier. The report was prepared by an independent expert and valued SOP at \$6 million less than its reported carrying book value disclosed in the 30 June 2016 financial statements. Whilst the valuation remained subject to internal review for compliance and acceptance by BOM at that time, it was ultimately accepted by BOM subsequent to 30 September 2016."



5. Note 1(b)(ii) of the Half Year Accounts discloses the effect of the \$6m revaluation decrement arising as a result of the Bank of Melbourne's independent valuer's report ("BOM Report") on the Entity's balance sheet as at 30 June 2016. The revaluation of the Seasons of Perth Hotel results in a breach of debt covenant ("Secured Bank Loan Covenant Breach"). The Secured Bank Loan Covenant Breach causes \$19.23 million of borrowings to be re-classified from 'non-current' to 'current'.
6. The \$6 million revaluation decrement represents 12.5% of total assets and 29.7% of net tangible assets of the Entity as at 30 June 2016. The resulting debt re-classification causes the Entity's working capital position at 30 June 2016 to deteriorate from +\$1.81 million to -\$17.42 million, a 1,062% decline.
7. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
8. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

9. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*



3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed.”*

10. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “Listing Rule 3.1A.2 – the requirement for information to be confidential”. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

11. Section 4.3 of ASX Guidance Note 8 *Continuous Disclosure: Listing Rule 3.1 – 3.1B*, which states the following:

“In assessing whether or not information is market sensitive and therefore needs to be disclosed under Listing Rule 3.1, the information needs to be looked at in context, rather than in isolation, against the backdrop of:

- *the circumstances affecting the entity at the time;*
- *any external information that is publically available at the time; and*
- *any previous information the entity has provided to the market (eg, in a prospectus or PDS, under its continuous or periodic disclosure obligations or by way or earnings guidance).*

For example, a small drop in earnings, but itself, may not be considered market sensitive. However, if that small drop in earnings results in the entity breaching a financial covenant and committing an event of default under its banking facilities, the situation is quite different.”

12. Listing Rule 12.2, which states that an entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and continued listing.
13. Listing Rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian Accounting Standards.



Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the \$6 million revaluation decrement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did the Entity first become aware of the \$6 million revaluation decrement?
4. If the answer to question 1 is “yes” and the Entity first became aware of the \$6 million revaluation decrement before it released the Half Year Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.
5. Does the Entity consider the information contained in the BOM Report to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is “no”, please advise the basis for that view.
7. When did the Entity first become aware of the BOM Report? Please provide the date that the Directors received the BOM Report. Please also provide the date the BOM Report was ‘*ultimately accepted*’ by the Bank of Melbourne.
8. If the answer to question 5 is “yes” and the Entity first became aware of the BOM Report before it released the Half Year Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.
9. Does the Entity consider the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification, causing a 1,062% decline in the Entity’s working capital position to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
10. If the answer to question 9 is “no”, please advise the basis for that view.
11. When did the Entity first become aware of the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification?
12. If the answer to question 9 is “yes” and the Entity first became aware of the Secured Bank Loan Covenant Breach resulting in the \$19.23 million debt reclassification before it released the Half Year



Report, did the Entity make any announcement prior to the release of the Half Year Report which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay

13. Did the Entity provide its auditors with a copy of the BOM Report at the time it was received by the Entity?
14. Please advise the date the BOM report was provided to the Entity's auditors.
15. If the Entity did not provide its auditors with a copy of the BOM report prior to the release of the Entity's Annual Report on the ASX Market Announcement Platform on 14 October 2016, please explain why the BOM report was not provided to the Entity's auditor.
16. Is the Entity of the view that its financial condition is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?
17. If the answer to question 16 is "yes", please explain the basis on which the Entity has formed the conclusion that the financial condition of the Entity is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rules 12.2. Specifically, the Entity should submit the reasons (including any previous disclosures made to the market) it considers relevant given the matters outlined in the Auditor's Report in the Half Year Report resulting in the emphasis of matter regarding going concern arising from the BOM Report adjustments and debt reclassification.
18. If the answer to question 16 is "no", please explain what steps the Entity has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.
19. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
20. 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 its board or an officer of Entity with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 5pm (WST) on Wednesday, 15 March 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's



obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

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

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

Listing Rule 3.1

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

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

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

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity’s securities under Listing Rule 17.1.

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

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



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

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

Please contact me if you have any queries or concerns about the above.

Yours sincerely

[sent electronically without signature]

Dale Allen
Senior Adviser, ASX Listings Compliance