



ASX Release

Date: 15 May 2019

Update on the Requisition received from Quality Life Pty Ltd

As announced on 18 March 2019, Australian Whisky Holdings Limited (ASX: AWY) (*the Company*) has received a notice under section 249D of the Corporations Act 2001 (Cth) (*Corporations Act*) from Quality Life Pty Ltd (*Quality Life*), requisitioning the Company's directors to call a meeting of members to move resolutions for the removal of Terry Cuthbertson, Peter Herd, Gary Mares and Stuart Grant as directors of the Company, and the appointment of Geoff Bainbridge and David Dearie as directors of the Company (*Requisition*).

Negotiations with Quality Life

The Board is concerned that the reconstituted Board proposed under the Requisition will be lacking in any structured succession and lacking in critical experience in key areas. Both of these factors may present difficulties in ensuring the continuity of the business of the Company. Since its receipt of the Requisition, the Board has sought to negotiate with Quality Life for an appropriate reconstitution of the Board which will satisfy the concerns of the majority of shareholders, including those supportive of the current Board, those desiring change, and those seeking a Board balanced between these alternatives.

The most recent proposal put forward by the current Board was to appoint David Dearie, Warren Randall and Geoff Bainbridge to the Board immediately as non-executive directors and Mr Mares and Mr Herd to offer up their resignations to the Board with immediate effect. Under the proposal:

- Mr Cuthbertson would remain as Chair until the close of the 2019 Annual General Meeting (AGM) to be held late November; and
- Mr Dearie would be appointed Deputy Chair with immediate effect with the intention that he be appointed Chair at the 2019 AGM.





While the Board has acted reasonably and continued to negotiate with Quality Life for the best interests of the Company's members as a whole, Quality Life has sought a commitment from incumbent directors Cuthbertson, Grant and Lark that they would not stand for re-election at the 2019 AGM as a condition to the withdrawal of its Requisition.

Letter to Shareholders

While the Board disagrees with much of the content of Quality Life's letter to shareholders of 7 May 2019, it does not intend to respond exhaustively. The Board does however, note the following:

- the Company's search for a new CEO has continued to progress since its receipt of the Requisition. The Board is pleased to advise that productive discussions have been had with a prospective CEO candidate working for a reconstituted Board that balances the interests of all shareholders, but the Company cannot commit to a new CEO while the requisition is on foot;
- the share placement introduced a new institutional investor in November 2018 and was made in conjunction with an exclusive agreement for the marketing and distribution of the Company's brands in Hong Kong, creating the very 'brand momentum and operational excellence' Quality Life asserts to be lacking;
- the Requisition seeks to appoint two non-executive directors who, while they have relevant experience to the business of the Company, do not on their own possess the full skill-set or experience necessary to manage the Company effectively;
- as Bill Lark has advised he intends to resign if the Requisition is successful, the Company will have only two directors and will be non-compliant with the ASX Listing Rules and the Corporations Act;
- Quality Life's assertion that his proposal will not have an effect on the control of the Company is simply not correct. If the Requisition is successful, Quality Life will have personally nominated and had appointed, the entire Board of AWY; and





- over the past year, the Company has made acquisitions, expanded production and its inventory of maturing casks, put in place distribution arrangements to take its products to new markets, raised capital and reduced debt to strengthen the Group's balance sheet. All while respecting the Company's Tasmanian connection.

Takeovers Panel Application

Following receipt of the Requisition, the Company also became concerned that several of its members have been, in the background, acting in concert pursuant to a voting arrangement, to reshape the Board of the Company (*the Association*). The Board is concerned that each member of the Association has failed to properly disclose to the market their relationship with each other member in the Association in a timely and complete manner, in contravention of Chapters 6 and 6C of the Corporations Act.

As it now appears that Quality Life will not negotiate an appropriate resolution to the matter, that is in the interests of the Company's members as a whole, the Board yesterday lodged an Application with the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of the Company.

Further details of the Panel Application will be set out in a Media Release from the Takeovers Panel which will be released to ASX.

Yours sincerely,

Company Secretary
Gary Stewart

