QUOIN (INT.) LIMITED

(ARBN 062 708 141)

SHAREHOLDER UPDATE

Melbourne, January, 2003

QUOIN (INT) LIMITED

SHAREHOLDERS' UPDATE.

Enclosed herewith is the Annual Report of Quoin (Int.) Limited ("the Company") in respect of the year ended 31st December 2000 together with the audited financial accounts for the half-year ended 30th June 2001. The Audit report and financial accounts to 31st December 2001 are also expected to be completed shortly for dispatch to shareholders. Directors are acutely aware of the untoward delay in publishing these documents and also in apprizing shareholders of the myriad events that have occurred since the Company's last Annual General Meeting.

It is for this reason that they have decided to provide shareholders with this interim update pending the formal reporting of same as part of the Notice of Annual General Meeting and accompanying Explanatory Memorandum that will be issued once the abovementioned Audit Certificate has been obtained and the ASX have approved the contents of the Annual Report for printing and release.

Set out below are the main matters that Directors wish to advise to shareholders.

The Board of the Company foreshadowed a change of strategic direction in October 2000 to take advantage of the business opportunities then presented by Quoin Technology Pty Ltd. ("Quoin Technology"). Based on the advice and representations of Christopher Clifford, the then CEO of Quoin Technology, ("the CEO"), these opportunities were anticipated to include the continuation of the allegedly profitable history of the Quoin Technology business if integrated into the Company, and so, would provide a buffer against the expected adverse impact of the Company's under-performing hotel operations in the politically sensitive and economically affected regions of Papua New Guinea and the Solomon Islands. In the event, it transpired that it was the post-acquisition technology activities that contributed the greatest adverse financial operating drain on the Company.

Based on the promise of the CEO's technology prospects, it was decided to exit the Company's investments in these unfavourable areas and after considerable effort, the Board succeeded in obtaining sales of the Granville Motel in Papua New Guinea, the Gizo Hotel and the King Solomon Hotel in the Solomon Islands. The sale proceeds were intended to retire debt and contribute to the working capital requirements of the Company's operations.

Unfortunately, the business expectations foreshadowed by the CEO were not realised. The change of focus from its historical core business, as recommended by the CEO, to several new research and development projects (eg. Leonardo Technologies Asia-Pacific Pty Ltd web-based development project) contributed substantially to the Company's previously reported loss of some $1.25M which further exacerbated the Company's financial position.

The Board of the Company was concerned at the quality of information being provided by the CEO in respect to the projected level of profitability of the Quoin Technology business in the medium to long term. Notwithstanding these concerns, there was no doubt that the Company needed to inject additional capital in the short term to fund the continuing development of the Quoin Technology business. Accordingly, substantial short-term funding of the Company was provided by the Directors, Moishe Gordon and Izzy Herzog. These loan advances have not been repaid.

After careful consideration of the 2002-2003 Business Plan presented to the Board by the CEO, the Board determined that it would not provide the necessary capital support for the Business Plan.

It was then decided to sell the business of Quoin Technology. Several encouraging expressions of interest were received. At the same time, the CEO was also organising his own syndicate to purchase the business.

Previously unbeknownst to the Board, BAS and other tax returns and respective remittances for Quoin Technology had not been completed for many months, the result of which overtook the already unsatisfactory position.

The CEO, and parties associated with him, subsequently undertook purchase the business of Quoin Technology. At that time the Board believed that the CEO's syndicate's offer provided a basis for the Company's shareholders to retain an interest in the business being sold without the need to raise additional capital with the attendant advantage also of reducing the Company's infrastructural and operating costs. However, at the time of settlement, certain assertions by the CEO regarding payment arrangements with the Australian Taxation Office, proved to be false and a Voluntary Administrator was appointed which then triggered the appointment by Westpac Banking Corporation Limited of a Receiver and Manager (Westpac Receiver). The Receiver & Manager sold the business to the group associated with the CEO, notwithstanding an alternative higher, but conditional, offer.

The Board has requested its Auditor to investigate several transactions initiated by the management of Quoin Technology in the financial year ended 30th June 2001 with a view to commencing legal action for recovery. Further, certain matters have also been referred to the appropriate legal enforcement authorities.

The Director's ASX Release dated 25 September 2001 advised shareholders that the Granville Motel had been sold for K4,500,000. This sale was contracted under pressure from the Bank of South Pacific notwithstanding that there was an alternative unconditional offer of K6,000,000. Bank of South Pacific then inexplicably appointed a Receiver to Quoin (Int.) Ltd (BSP Receiver) pending settlement of the aforesaid sale. The proceeds of sale at settlement, K4,500,000 (approximately AUD 2,785,000), were applied to discharge in part the debt owing to Bank of South Pacific. There now remains a shortfall of approximately K2,500,000 (approximately AUD 1,350,000) including Receivership costs. Litigation regarding the foregoing is currently being contemplated by Directors.

Mr. Moishe Gordon, the Chairman of the Board of Directors has personally negotiated a loan of up to $1.1 million from the Bank of Melbourne for the purpose of Directors advancing sufficient monies to the Company to discharge the debt owing to the Bank of South Pacific and to facilitate the removal of the Receiver.

It is to be noted that this loan which is subject to the removal of the BSP Receiver & Manager, is at commercial rates of interest of 10.75% per annum (being substantially less than 23% per annum being charged by the Bank of South Pacific). This loan is subject to shareholder approval and an independent expert report as required by ASX listing rule 10.1.

On 18th June 2001 MM Giles and BJ Clifford (brother of Christopher Clifford) were offered the position as managers and letting agents of the Broadbeach Motor Inn. IHL Australia Pty. Ltd. ("IHL"), the fully owned subsidiary of the Company, was advised that under Queensland law such managers were required to be appointed as directors of IHL. Consequently on 6th June 2001 MM Giles and on 10th July 2001 BJ Clifford were appointed directors of IHL.

Without properly convening a Board meeting of IHL, on 31[st] July 2002 Clifford and Giles, claiming that IHL was insolvent, appointed an administrator to IHL notwithstanding the financial support offered to IHL by the directors of the Company in response to a request by Clifford and Giles and the refusal of Clifford and Giles to accept the aforementioned unconditional offer of financial support.

As a result thereof, the mortgagee, Bank of Western Australia, appointed Mark Mentha and Mark Korda Receivers and Mangers of IHL Australia Pty. Ltd (IHL Receiver). The IHL Receiver has advertised the property and business for sale by tender. The directors of the Company anticipate the proceeds of sale will be sufficient to retire the Bank's debt. The directors reserve the rights of the Company to pursue Clifford and Giles for damages. A Meeting of Creditors appointed the Administrator, G Starkey as Liquidator. Two of the creditors who did not receive notice of the aforementioned Meeting of Creditors have issued proceedings seeking, inter alia, to set aside the liquidation.

As part of the original April, 2000 acquisition of units in the Broadbeach Motor Inn, Advance Publicity Pty. Ltd., a company associated with Mr. I. Herzog, sold nine units to the Company's aforementioned subsidiary, IHL. The terms of the sale included a non-refundable deposit of 3 million fully paid ordinary 20cent shares in the Company and $655,000 payable within 12 months plus a commercial rate of approximately 8% p.a. interest (amounting to $92,045 to 31/12/2001). Title to the units was only to pass to IHL upon payment in full. In the interim, IHL was obliged to pay outgoings and interest on the outstanding debt but was to retain the income from the units. IHL failed to meet its ongoing financial commitments despite retaining the income. Advance had no choice but to continue to pay the outgoings. IHL ultimately defaulted in its obligation to repay the outstanding sum due to the vendor. The vendor subsequently served notice of termination on IHL and title to the subject units did not therefore pass to IHL.

Future Outlook

Assuming retirement of the Receiver and ASX re-quotation of its securities, which Directors are now actively pursuing, the Company intends to restructure its Board of Directors and then to concentrate its efforts in the forthcoming year to revitalise its hotel, property development and technology activities to achieve future returns to shareholders and when the Directors consider it appropriate, they will address the strategy necessary to rectify the Company's current debt to equity imbalance. The Directors are currently evaluating a commercial-in-confidence proposal for a substantial residential property subdivision development. If consummated, this project would form a key part of the Director's strategy to re-establish the Company's focus on property development. Shareholders will be apprised of the progress in this regard at the forthcoming Annual General Meeting.

To give effect to the foregoing and other matters of vital importance to the Company, it will be necessary to formally present the appropriate resolutions to shareholders for their consideration at the Company's foreshadowed Annual General Meeting that Directors hope to hold early in 2003.

Yours sincerely,

Moishe Gordon,
Chairman,
Quoin (Int.) Ltd.