

22 December 2017

Dear Grower,

FURTHER UPDATE ON AUSTRALIAN FINANCIAL SERVICES LICENCE

I'm writing to you as a grower in a managed investment scheme operated by Sandalwood Properties Ltd (**SPL**) and to provide further information on the breaches of the financial requirements of the Australian Financial Services Licence (**AFSL**) held by SPL, as notified in the 14 December 2017 update.

The breaches of SPL's AFSL relate to the requirement for SPL to have:

1. net tangible assets of at least \$10 million (the "NTA Requirement");
2. liquid assets of at least \$10 million; and
3. surplus liquid funds of at least \$50,000 (the "SLF Requirement").

As noted in the previous update, the guarantee and supporting security provided by SPL in favour of the Noteholders to whom Quintis issued US\$250 million of Senior Secured Notes in July 2016 (and the previous notes issued in 2011) means that:

1. SPL does not meet the NTA Requirement or the SLF Requirement; and
2. even though SPL holds more than \$10 million cash in its bank accounts, it is not 'unencumbered' as required by the Corporations Act and therefore SPL does not meet the liquid assets requirement.

SPL and Quintis are in communications with a number of third parties to seek to address this issue. Options being considered include a possible restructure of the guarantee and security (which would require the consent of Noteholders) or the appointment of an alternate responsible entity. The Noteholders have to date declined to consent to a restructure of the guarantee and security in the absence of a recapitalisation of the Company being finalised. As at the date of this update, Quintis and SPL do not expect these breaches to be capable of being resolved prior to a recapitalisation of the Company being agreed.

As Quintis has been updating the market, Quintis is continuing discussions in relation to the recapitalisation. The recapitalisation, if implemented, will be subject to all necessary shareholder, creditor and regulatory approvals, due diligence and other conditions precedent. The discussions continue to progress but no binding agreements have been entered into and there is no guarantee that the recapitalisation will be completed in this form or another form. As has been previously disclosed, the recapitalisation is fundamental to the ongoing solvency of the group.

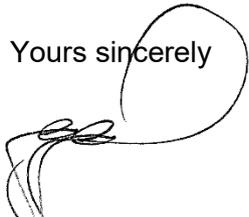
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SPL has not yet provided any remediation plan to ASIC but as noted above is working on this. Although ASIC considers proposals by the holders of AFSLs for the rectification of breaches of their AFSLs, responsibility for rectifying such breaches rests with the Licensee, being SPL in this case. Whilst Quintis and SPL have been in communication with the Australian Securities and Investments Commission (“**ASIC**”), as noted in our previous update, if SPL is unable to rectify the breaches, SPL may be exposed to the possibility of administrative action by ASIC under section 914 of the Corporations Act 2001 to vary, suspend or cancel SPL’s AFSL.

SPL will continue to update Growers on material developments.

Yours sincerely



Greg Gaunt
Chairman
Sandalwood Properties Ltd