



**Quintis Limited (Administrators Appointed) (Receivers and Managers Appointed)
And entities as listed in Annexure A
ACN 092 200 854
(collectively known as “the Quintis Group”)**

First Update to MIS Investor Frequently Asked Questions

26 February 2018

The purpose of this document is to answer frequently asked questions that MIS investors/growers (“Investors”) may have about their MIS investment with Quintis. A list of the managed investment schemes to which this document relates is attached as Appendix A.

This document is an update to the document entitled “MIS Investor Frequently Asked Questions” dated 26 January 2018. Quintis will continue to update Investors regularly on the status of the insolvency process and will update the FAQ on a regular basis. Any updates to the FAQ will be available on the “Administration and Receivership News” section of the Quintis website (<https://quintis.com.au/>) and Investors should continue to check the Quintis website for the latest information.

Investors should direct any additional questions to their usual contact at the Quintis Group in the first instance.

The Administrators and the Receivers and Managers act as agents of the Quintis Group. By issuing this information sheet, they are not adopting any contract that exists, or may have existed, between any Investor and any member company of the Quintis Group.



Will my trees continue to be maintained?

Yes. As previously noted, notwithstanding the receivership of the Quintis Group, Sandalwood Properties Ltd ("Sandalwood Properties"), Quintis Leasing Pty Ltd and Quintis Forestry Limited ("Quintis Forestry") presently intend to continue to perform their roles in relation to your investment. As previously announced by Quintis Ltd, certain bondholders subscribed for up to US\$20 million of additional bonds during November 2017. This funding is sufficient to ensure the Quintis Group can continue to operate on a business as usual basis with respect to the MIS whilst expressions of interest are sought and any proposed sale or recapitalisation is concluded.

Your responsible entity, Sandalwood Properties, has an agreement with Quintis Forestry for the provision of forestry services to MIS projects. Quintis Forestry is clearly the global leader in the management of sandalwood plantations as it manages around 13,000 hectares on behalf of MIS growers, major global institutional growers and Quintis itself. Quintis Forestry employs the world's largest team of sandalwood plantation managers, many of whom have nurtured and maintained your trees since they were planted.

We are pleased to confirm that Quintis Forestry will continue to maintain your trees on a business as usual basis whilst Sandalwood Properties is your responsible entity for the duration of the process referred to above.

Has Sandalwood Properties Ltd been replaced as the responsible entity of any of the MIS?

No. An organisation known as the Sandalwood Growers Co-Op, comprising a group of growers in the TFS 2002 MIS, has convened a meeting of participating growers in the TFS 2002 scheme to replace Sandalwood Properties Ltd as the Responsible Entity (RE) of that scheme.

As yet the proposed replacement RE has not been able to secure regulatory approval to act in that capacity for this scheme, and the meeting has been adjourned four times.

How does Sandalwood Properties manage the potential conflict of interest which arises because Sandalwood Properties is the responsible entity of my MIS and other Quintis entities participate in the tender to purchase MIS-owned produce?

Sandalwood Properties has sold the grower-owned wood after each of the last three annual harvests. Your responsible entity has ensured that each sales process produced the maximum practicable price for the grower-owned produce. For example, in 2017, the sales process included a press advertising campaign and direct marketing to nearly one thousand participants in the global sandalwood industry. The tender was conducted on an arms' length basis with the highest bidder winning acquiring the produce. In 2017, bids were submitted from Australian and Indian sandalwood businesses but these bids were below the offer submitted by Quintis. If Quintis had been prevented from participating in the tender, the returns to growers would have been lower.

To assist in alleviating growers' concerns as to the potential conflict of interest referred to above, the Receivers have appointed Primary Securities ("Primary") to act as an independent consultant to Sandalwood Properties in its capacity as the responsible entity ("RE") for the retail managed investment schemes established by Quintis.

Primary is a responsible entity licensed to operate any forestry scheme and to give advice in relation to any managed investment scheme. Primary has some experience of being appointed RE by growers over a number of other agricultural schemes to represent their interests when the previous RE was under external



administration. Primary has confirmed to the Receivers that it is free of conflict and that it is not connected with, funded or otherwise supported by any entity in the sandalwood industry.

Changing the RE while the Receivers remain in place would involve complexity and risk and would likely shift a considerable funding and potentially cost increase to growers. The appointment of the independent consultant has the advantage of enabling growers to receive reports from Primary on matters of concern to them while the Receivers preserve the current structure and seek expressions of interest.

Primary will review the operations and performance of Sandalwood Properties as current RE, to verify that grower rights are being adequately protected during the Receivership, including these aspects:

- leases and payment of rent;
- water entitlements;
- oversight of marketing and the sale of harvested timber;
- preparation of financial statements and compliance reports; and
- plantation management.

In consultation with Sandalwood Properties, over coming months, Primary will report to growers in relation to the above issues.

The appointment of Primary aims to provide MIS growers with greater transparency into the performance of the RE during the Receivership.

In relation to TFS 2002 and TFS 2003: I have received correspondence from the Sandalwood Growers Co-op ("SGC") asking me to vote to change the manager of my MIS from Sandalwood Properties to the SGC. What are the implications of this change?

The Receivers consider that both the notice of termination circulated to growers in the TFS 2002 and TFS 2003 MIS and the purported resolution to appoint a new Manager of such schemes are invalid. Further, a termination of management elements of the lease and management agreement would result in a termination of the lease and management agreement in its entirety, a termination of the growers' leases and a forfeiture of the growers' trees. This is clearly not in the best interests of growers.

The Receivers have reconfirmed to growers that they remain well funded and that Quintis will continue to maintain the plantations during the Receivership. By maintaining the key assets of the business and retaining grower support, the Receivers expect the sale process will see Quintis emerge from Receivership and Voluntary Administration with the schemes well placed to achieve a favourable outcome for growers.

Who should I contact if I have any general queries?

Please continue to liaise with your usual contact at the Company.



APPENDIX A

Project Name	ARSN
TFS Sandalwood Project 2000	094 684 410
TFS Sandalwood Project 2002	099 022 170
TFS Sandalwood Project 2003	104 124 414
TFS Sandalwood Project 2004	108 261 856
TFS Premium Sandalwood Project 2004	108 714 736
TFS Sandalwood Project 2005	113 492 890
TFS Sandalwood Project 2006	117 134 611
TFS Sandalwood Project 2007	123 883 830
TFS Sandalwood Project 2008	128 710 261
TFS Sandalwood Project 2009	135 373 938
TFS Sandalwood Project 2010	142 774 132
TFS Sandalwood Project 2011	150 211 171
TFS Sandalwood Project 2012	157 880 263
TFS Sandalwood Project 2013	161 604 806



Project Name	ARSN
TFS Sandalwood Project 2014	167 882 493
TFS Sandalwood Project 2015	604 615 232
TFS Indian Sandalwood Project 2016 – Retail Investment Offer	610 346 864