



26 February 2018

CIRCULAR TO MANAGED INVESTMENT SCHEME GROWERS - QUINTIS LTD AND ITS AUSTRALIAN SUBSIDIARIES (ADMINISTRATORS APPOINTED) (RECEIVERS AND MANAGERS APPOINTED)

We refer to our circular dated 26 January 2018 pursuant to which we notified MIS growers as to the appointment of Richard Tucker, Scott Langdon and John Bumbak of KordaMentha as Voluntary Administrators (“**Administrators**”) of Quintis Limited and its Australian subsidiaries as set out in Appendix A (“**Quintis Group**”) on 20 January 2018 and the subsequent appointment of Jason Preston, Shaun Fraser and Robert Brauer of McGrathNicol as Receivers and Managers on 23 January 2018 (“**Receivers**”).

The Receivers provide the following update on the progress of the Receivership and Quintis’s business.

Operations

Quintis has continued to operate on a business as usual basis since the Receivers’ appointment. Staff have been strongly supportive of the initiatives undertaken since the appointment and remain focussed on maintaining plantations across Northern Australia and production at Mt Romance. Mt Romance has confirmed the delivery of 18 tonnes of Australian sandalwood from the Forest Products Commission on 21 February 2018 to meet its ongoing production requirements.

Institutional investors have conveyed clear messages of support, with a number showing interest in increasing their ownership in plantations.

There were a small number of redundancies announced on 9 February 2018, amounting to 15 staff or 7% of the total workforce. While the redundancies were unfortunate, they reflected changes in the structure of the business and were necessary to put the company’s cost base on a more sustainable footing.

TFS 2002 and TFS 2003 Grower Meeting to Remove Manager

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 such scheme.

As yet the proposed replacement RE has not been able to secure regulatory approval to act in that capacity for the TFS 2002 scheme, and the meeting has been adjourned four times.

Separately, a grower in the TFS 2002 and TFS 2003 scheme has sought to terminate the management aspects of the Lease and Management Agreements (“**LMAs**”) with Quintis and has purported to call a meeting of growers on 12 March 2018 to vote on a resolution to appoint the Sandalwood Growers Co-op as the new Manager of such schemes. The Receivers consider that both the notices of termination and the purported resolution to

THE OLD SWAN BREWERY
LEVEL 2, 171-173 MOUNTS BAY ROAD, PERTH WA 6000
PO BOX 3040, BROADWAY, NEDLANDS, WA 6009
T +618 9215 3000 F +618 9215 3090
INFO@QUINTIS.COM.AU QUINTIS.COM.AU

QUINTIS LTD	ABN 97 092 200 854
QUINTIS FORESTRY LTD	ABN 83 080 139 966
QUINTIS LEASING PTY LTD	ABN 84 080 978 721
QUINTIS PRODUCTS PTY LTD	ABN 85 103 368 707
SANDALWOOD PROPERTIES LTD	ABN 31 093 330 977

*All entities subject to Administrators appointed &
Receivers and Managers appointed*

appoint a new Manager are invalid. Further, a termination of the LMAs would result in the termination of the growers' leases and a forfeiture of the growers' trees, which would not be in growers' best interests.

The Receivers have reconfirmed to growers that they remain well funded and that Quintis will continue to maintain the MIS 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.

Appointment of Primary Securities as Independent Responsible Entity Consultant

The Receivers have announced the appointment of Primary Securities ("**Primary**") to act as an independent consultant to Sandalwood Properties in its capacity as the RE for the retail Managed Investment Schemes established by Quintis (listed in Appendix B).

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 Limited as current RE ("**SPL**"), 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 SPL, over coming months, Primary will report to growers in relation to the above issues.

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



Sale Update

The Receivers have commenced a process seeking expressions of interest and inviting interested parties to invest in or acquire all of Quintis's business and assets. Advertisements were placed in national newspapers in Australia and in Asia. Subsequent interest in the business and assets has been strong, with summary information packs forwarded to over 70 parties including large institutional investors, pension funds, specialist forestry organisations and several large sandalwood buyers. A more detailed information memorandum and data room is available to parties who have signed a confidentiality agreement.

Non-binding indicative offers are expected by 23 March 2018. A further period of diligence will be available for short-listed bidders thereafter.

The Voluntary Administrators applied for and were granted by the Supreme Court of Western Australia an extension to the convening period for the second meeting of creditors, to 31 May 2018. That timeframe is aligned with the sale process being conducted by the Receivers.

If you have any questions and would like to speak to the Quintis Group please call 08 9215 3000.

The Receivers and Administrators will continue to keep MIS investors informed as the expression of interest process progresses. MIS investors should visit the "Administration and Receivership News" section of the Quintis website (<https://quintis.com.au/>) for the latest information, answers to "frequently asked questions" and updates to the expression of interest and sale process.

Nothing in this circular should be taken as an adoption by the Receivers or Administrators of the various contracts referred to in this circular. This circular only relates to the MIS, and not any other investments with the Quintis Group.

Appendix A**Quintis Group entities over which the Administrators and Receivers are appointed**

Company name	ACN
Quintis Ltd	092 200 854
Arwon Finance Pty Ltd	072 486 643
Australian Sandalwood Oil Co. Pty Ltd	088 257 498
Mt Romance Australia Pty Ltd	060 122 698
Mt Romance Holdings Pty Ltd	115 659 606
Quintis Leasing Pty Ltd	080 978 721
Sandalwood Properties Ltd	093 330 977
Quintis Forestry Limited	080 139 966

Appendix B
List of Managed Investment Schemes for which Sandalwood Properties Ltd is the Responsible Entity

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
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