

9 March 2018

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

This circular is a further update to the members of the Quintis MIS listed in Appendix A and is issued by Jason Preston, Shaun Fraser and Robert Brauer of McGrathNicol, as Receivers and Managers of Sandalwood Properties Ltd (Administrators Appointed) (Receivers and Managers Appointed) (the “Receivers”).

We understand growers have received a document entitled “Growers’ Update for TFS Sandalwood Projects – March 2018” from the Sandalwood Growers Co-op (the “SGC”) (the “SGC Growers’ Update”). This circular seeks to clarify a number of the statements contained in the SGC Growers’ Update regarding the Receivers and the status of the Quintis managed sandalwood plantations.

Statement in SGC Growers’ Update: “SGC is now managing plantations on behalf of High Net Worth Growers and Institutional Investors”.

- Quintis continues to manage all institutional investor plantations.
- Quintis continues to manage all MIS plantations.
- Quintis continues to manage 99.5% of plantation hectares owned by sophisticated investors.

Statement in SGC Growers’ Update: “SGC will replace the Manager starting with the 2003 to 2005 Projects (rest to follow).”

- Quintis has advised SGC that the attempt to change the manager of the 2002 – 2005 Quintis MIS plantations is legally ineffective. We have instructed our lawyers to approach the Court to seek directions in relation to a number of matters including the validity of the notices convening the meetings to change the manager and the proposal from the SGC to replace the manager.
- It is not in growers’ interests to terminate their lease and management agreement.

Statement in SGC Growers’ Update: “SGC continues cooperation with Government regulators to benefit Growers”.

- The Receivers are in regular dialogue with the Australian Securities and Investments Commission (“ASIC”).
- ASIC are yet to approve the alternate RE proposed by SGC in relation to the 2002 Quintis MIS.

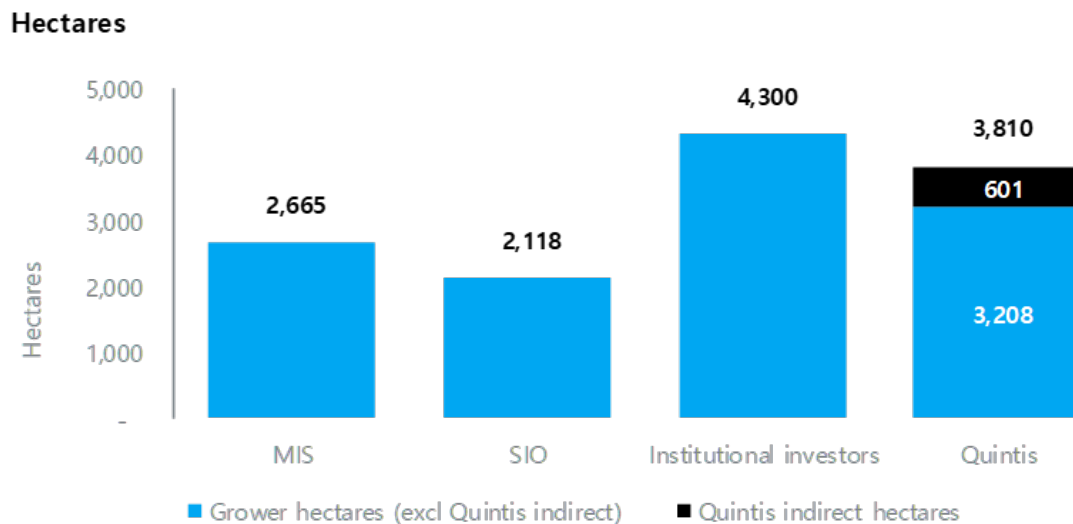
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SANDALWOOD PROPERTIES LTD	ABN 31 093 330 977

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

The SGC Growers' Update contained a graph purporting to indicate that Quintis management and the Receivers have no "skin in the game" as compared with the SGC Board of Directors

- The graph below highlights that Quintis owns a substantial number of plantation hectares:
  - directly;
  - directly as a grower in the Quintis MIS; and
  - indirectly through the deferred L&M fee arrangement. This arrangement entitles Quintis to a share of deferring growers' harvest proceeds. This deferred interest means that Quintis' interests are directly aligned with MIS growers.
  
- Combined with hectares owned by institutional investors (who remain supportive of the Quintis as the Manager of their plantations), Quintis and the institutional investors own a majority of the plantation hectares managed by Quintis. Quintis is highly motivated to manage the plantations effectively and to develop and promote end market demand for Indian Sandalwood including maximising the value of the product.



Notes:

1. The figures referred above are current as at 30 June 2017.
2. "Quintis indirect hectares" refers to the entitlement to harvest proceeds Quintis earns by allowing growers to defer the payment of L&M fees which can be up to 25% for growers who defer all L&M fees for the life of a project.
3. "SIO" refers to sophisticated investors.

- We also note that the acquisition of 47.3% of the 454.9 hectares identified as being owned by the SGC Board in the SGC Growers' Update was funded by Quintis and remains subject to security held by Quintis. Those loans are in default and are the subject of legal proceedings.

The SGC Growers' Update contained a graph purporting to illustrate "the same Quintis Team that reduced their oil price by 33% & achieved a 40% loss for Growers"

- The prices referenced in the graph relate to the partial harvest of the TFS Sandalwood Project 2002 which occurred before the time of our appointment as Receivers.
- Our review of the company's records indicates that the tender was widely marketed and resulted in expressions of interest from a number of domestic and international buyers.
- Multiple bids were received, with a Quintis subsidiary submitting the highest bid (over 26% higher than the second highest bid).
- Had the Quintis subsidiary not participated in the auction, the sale price obtained by the growers would have been substantially lower.
- At the time of our appointment, we confirmed that the Receivers would engage an independent third party to conduct the tender process for any harvests which occur during the Receivership.
- Separately, Primary Securities Limited ("Primary") has been appointed by the Receivers as an independent consultant to the responsible entity of the Quintis MIS. Among other things Primary will review the sales, marketing and tender processes of the responsible entity.

The SGC Growers' Update states that "Growers should do all they can to remove their interests away from the financial contagion of the Administrators, Receivers and the insolvent Quintis Group".

- The Quintis Group owns and/or controls infrastructure, specialist equipment, adjacent land used for access to plantations, water rights and expertise which are critical to the survival of the MIS sandalwood plantations and will not be available to MIS growers if the lease and management agreements are terminated or if SPL is replaced as the RE.
- MIS growers also benefit from the activities of the broader Quintis Group which allow for:
  - collective sales and marketing of Indian sandalwood;
  - vertical integration of harvesting and processing functions; and
  - ongoing research and development and a continued focus on development of end markets.
- A replacement of the responsible entity for the Quintis MIS may also result in increased costs for growers and growers may no longer be able to enjoy the benefit of deferred lease and maintenance fees.
- The Receivers remain well funded and are progressing work on a recapitalisation of Quintis.

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

<b>Project Name</b>	<b>ARSN</b>
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