

9 March 2018

CIRCULAR TO GROWERS IN THE TFS SANDALWOOD PROJECT 2002 (THE “PROJECT”)

As you may be aware, Jason Preston, Robert Brauer and I (Shaun Fraser) of McGrathNicol were appointed as receivers and managers of Sandalwood Properties Ltd (Administrators Appointed) (Receivers and Managers Appointed) (“SPL”) on 23 January 2018 (the “**Receivers**”).

We understand you have received the following documents in relation to your investment in the Project:

- a document entitled “Growers’ Update – March 2018” from the Sandalwood Growers Co-op (the “SGC”) (the “**SGC Growers’ Update**”); and
- a notice of meeting (the “**Notice**”) and accompanying explanatory memorandum (the “**EM**”) containing a resolution purporting to appoint the SGC as the new manager of the Project.

The SGC Growers’ Update and the EM contain a number of statements regarding:

- the Receivership;
- the operations and status of Quintis Limited (“**Quintis**”) and its subsidiaries; and
- certain employees of Quintis,

which we believe require further clarification.

We have issued a circular in response to the SGC Growers’ Update to all growers in the Quintis managed investment schemes (the “**SGC Growers’ Update Response**”) and would encourage you to read this circular if you have not yet done so. This circular is also available in the “Administration and Receivership News” section of the Quintis website (<https://quintis.com.au>).

Validity of resolution

- As noted in the SGC Growers’ Update Response, we have advised the SGC that the attempt to change the manager of your Project 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 Notice and the proposal from the SGC to replace the manager.

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SANDALWOOD PROPERTIES LTD	ABN 31 093 330 977

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

Reasons to remove Sandalwood Properties Ltd (SPL) as manager of the Project

- We refer you to the SGC Growers' Update Response in which we detailed:
 - the sales, marketing and tender process undertaken by Quintis in relation to the TFS Sandalwood Project 2002 harvest. We noted that the successful bidder (a subsidiary of Quintis) paid over 26% more than the next highest bid, resulting in a better outcome for growers than if Quintis had not participated in the tender; and
 - the reasons why it may not be in your best interest to change the manager of your Project.
- The current CEO of Quintis (Mr Julius Matthys) was an employee of BHP Billiton for 34 years prior to joining Quintis. Mr Matthys was not involved in the Samarco business. Samarco is a joint venture, the shares of which are owned by BHP Billiton and Vale. Mr Matthys' only involvement in relation to Samarco was following the 2015 incident where he was a member of a crisis management team for a short period.

Capability of the SGC to perform the role of new manager for the Project

- Quintis has extensive expertise in the management of sandalwood plantations and manages close to 13,000 hectares on behalf of MIS growers, major global institutional investors, sophisticated investors and Quintis itself.
- Quintis has invested heavily in:
 - its forestry staff;
 - specialist equipment and infrastructure, including its own processing and distillery facility; and
 - research and development both in terms of silviculture and end markets,

which benefit growers in terms of improved yields and end-market demand.

- As noted in the SGC Growers' Update Response, 47.2% of the 500 hectares of plantations identified as being owned by the SGC Board was funded by Quintis and remains subject to security held by Quintis. Those loans are in default and are the subject of legal proceedings.
- Under the current arrangement with Quintis, MIS growers are able to defer annual fees due under their lease and management agreements ("L&M Fees"), with Quintis funding these fees as required and potentially through to harvest on behalf of growers. The SGC or any other new manager could seek to impose additional or increased fees on growers or may require that L&M Fees be paid up-front. Growers should make necessary enquiries of the SGC to determine how the SGC will fund maintenance and harvesting of their trees.