

4 April 2018

**CIRCULAR TO GROWERS IN THE TFS SANDALWOOD PROJECT 2004, TFS PREMIUM SANDALWOOD PROJECT 2004 AND TFS SANDALWOOD PROJECT 2005 (THE “PROJECTS”)**

We refer to our recent correspondence in relation to meetings for the TFS Sandalwood Project 2002 and TFS Sandalwood Project 2003 (“**2002 and 2003 MIS**” and together with the Projects, the “**Relevant Projects**”) held on 12 March 2018 (the “**2002 and 2003 Meetings**”) which sought to pass a resolution to appoint Sandalwood Growers Co-operative Ltd (“**SGC**”) as new manager of each of the 2002 and 2003 MIS (the “**2002 and 2003 MIS Resolutions**”).

As you may be aware, similar meetings were purportedly called and held on 28 March 2018 in relation to the Projects (the “**Project Meetings**” and together with the 2002 and 2003 Meetings, the “**Relevant Meetings**”). As with the 2002 and 2003 Meetings, resolutions were sought to be passed at the Project Meetings to appoint the SGC as new manager of each of the Projects (the “**Project Resolutions**” and together with the 2002 and 2003 MIS Resolutions, the “**Relevant Resolutions**”).

- The Receivers' view is that:
  - the lease and management agreement for the Relevant Projects do not permit growers to terminate the management arrangements only;
  - further, a grower is unable to terminate the lease and management agreement on behalf of other growers; and
  - in any event, the Relevant Meetings were invalidly convened and the resolution sought to be passed at each such meeting is not legally effective.
- The Relevant Resolutions were purportedly passed at the Relevant Meetings despite those matters.
- As a result, we do not consider the termination notices given in relation to any of the Relevant Projects or any of the Relevant Resolutions has any effect on growers or the existing management arrangements.
- Based on the proxies Sandalwood Properties Limited (Administrators Appointed) (Receivers and Managers Appointed) (“**Sandalwood Properties**”) reviewed and the votes cast by growers in person at the relevant Project Meetings, the percentage of growers who voted in favour of the Project Resolutions was as follows:

TFS Sandalwood Project 2004

% of all growers	% of growers excluding Quintis' direct interest in the Project	% of growers excluding Quintis direct interest in the Project and interests of institutional investors/Quintis associates
37.00%	37.00%	78.17%

TFS Premium Sandalwood Project 2004

% of all growers	% of growers excluding Quintis' direct interest in the Project	% of growers excluding Quintis direct interest in the Project and interests of institutional investors/Quintis associates
56.77%	65.66%	76.38%

TFS Sandalwood Project 2005

% of all growers	% of growers excluding Quintis' direct interest in the Project	% of growers excluding Quintis direct interest in the Project and interests of institutional investors/Quintis associates
61.43%	71.29%	79.34%

- We have approached the Court to seek directions in relation to the validity of the termination notices given in relation to the 2002 and 2003 MIS, the 2002 and 2003 Meetings and the 2002 and 2003 MIS Resolutions (the “**Directions Hearing**”). The Directions Hearing is scheduled to be heard in the Federal Court of Australia (Western Australian registry) on 13 April 2018.
- Documentation relating to the Directions Hearing are available in the “Administration and Receivership News” section of the Quintis website and also in the “Assignments – Quintis Group” section of the McGrathNicol website ([www.mcgrathnicol.com/assignments/](http://www.mcgrathnicol.com/assignments/)).
- Whilst the Directions Hearing does not have direct application to the Projects, given the similarities between the documents governing the Relevant Projects and the identical nature of the Relevant Resolutions, the Directions Hearing will provide useful guidance on the validity of the Project Meetings and the Project Resolutions.
- We will update growers on the outcome of the Directions Hearing in due course and advise growers to check both the “Administration and Receivership News” section of the Quintis website and also the “Assignments – Quintis Group” section of the McGrathNicol website ([www.mcgrathnicol.com/assignments/](http://www.mcgrathnicol.com/assignments/)) for the latest information and regular updates.

Sandalwood Properties (a wholly owned subsidiary of Quintis) remains as the responsible entity, continues to manage your investment and is best placed to manage growers’ interests. The recapitalisation process being progressed should lead to the best chance for growers to protect and maximise the return on their investment. We expect to be in a position to make further announcements in relation to that process in the next month. Because the Sandalwood Growers Co-op does not have the assets or infrastructure of Quintis, there is a high risk that they cannot deliver the services growers require in respect of their plantations.

Should you require any information, please contact Alison Wong of my staff on + 61 2 9338 2645.

**Shaun Fraser**

*Joint Receiver and Manager of Sandalwood Properties Limited (Administrators Appointed) (Receivers and Managers Appointed)*