

10 April 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 (the “**Quintis MIS**”) 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**”).

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

**Operations**

- Quintis has continued to operate on a business as usual basis since the Receivers’ appointment. MIS plantations are continuing to be maintained in-line with Quintis’ normal practices. The wet season has now finished and work is ramping up with irrigation, weed control, de-vining, pest control and fire separation activities now underway.
- The Receivers are currently negotiating amended funding arrangements with sophisticated investors and institutional investors. These arrangements are expected to improve cash flow of the group and support the recapitalisation discussions.
- Quintis’ institutional investors continue to support the Receivers and the recapitalisation, with a number of institutional investors continuing to show interest in increasing their ownership in plantations.
- In addition, staff continue to be strongly supportive of the initiatives undertaken since the appointment and remain focussed on maintaining plantations across Northern Australia and production at Mt Romance.

**Sale Update**

- The closing period for non-binding indicative offers was 23 March 2018. There was strong interest and the Receivers have invited a number of interested parties to progress to Stage 2 detailed due diligence. A separate announcement will be made in relation to this progress shortly. The recapitalisation process is progressing well and at this stage remains on track to complete between July – September 2018.
- The recapitalisation will provide a positive and beneficial outcome for investors in Quintis’ MIS schemes. A recapitalised Quintis will be best placed to provide:
  - cost effective and efficient plantation management through the economies of scale achievable from its management of over 13,000 ha. of sandalwood plantations;
  - extensive knowhow and intellectual property developed over 15 years through extensive research and development which is ongoing; and,
  - better returns to growers through the work it undertakes in developing end markets and customers.

**Purported Change of Manager**

- Meetings have been purportedly held in relation to TFS Sandalwood Project 2002, TFS Sandalwood Project 2003, TFS Sandalwood Project 2004, TFS Sandalwood Premium Project 2004 and TFS Sandalwood Project

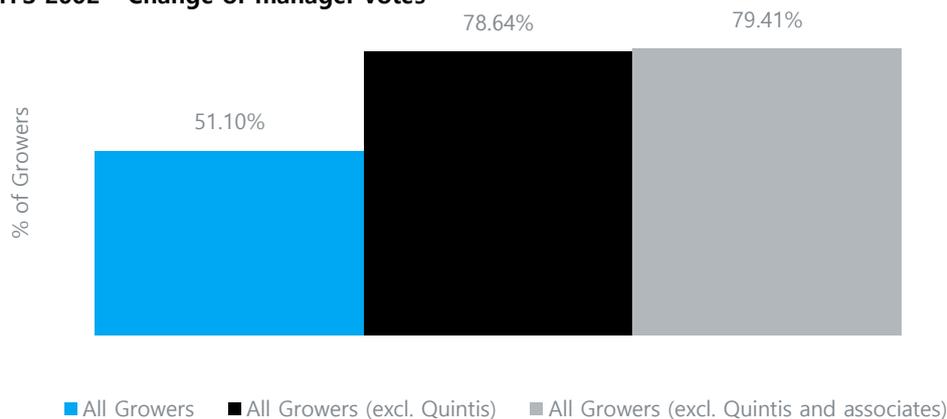
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QUINTIS PRODUCTS PTY LTD	ABN 85 103 368 707
SANDALWOOD PROPERTIES LTD	ABN 31 093 330 977

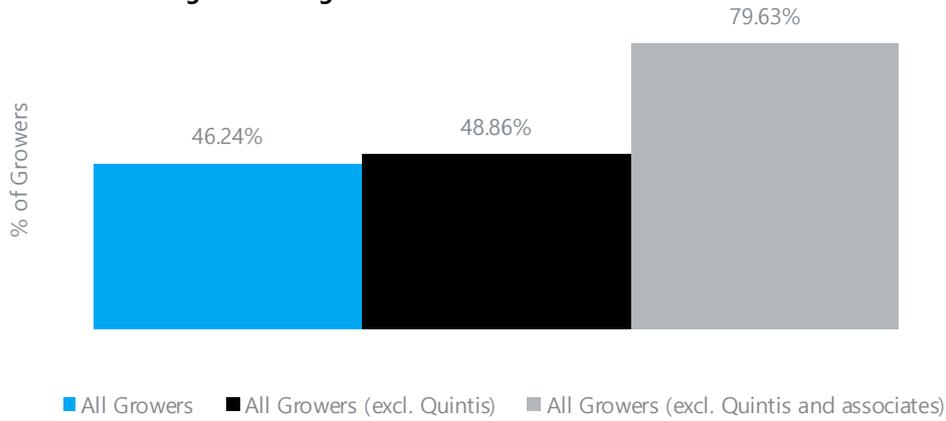
2005 (the “**Projects**”) to appoint the Sandalwood Growers Co-op Ltd (the “**SGC**”) as manager of the Projects.

- The Receivers are of view that:
  - the lease and management agreement (“**LMA**”) for the Projects does not permit growers to terminate the management arrangements only;
  - further, a grower is unable to terminate the LMA on behalf of other growers; and
  - in any event, the meetings for the Projects convened to replace the manager of the Projects (the “**Resolutions**”) and purported to be held on 12 March 2018 and 28 March 2018 (the “**Meetings**”) were invalidly convened and the resolutions sought to be passed are not legally effective.
- The Receivers have approached the Federal Court of Australia to seek directions in relation to the validity of the termination notices, the Meetings for TFS Sandalwood Project 2002 and TFS Sandalwood Project 2003 and the Resolutions passed at these meetings. The Court hearing is scheduled for 13 April 2018.
- Although any directions given by the Court will not have direct application to other Quintis MIS, given the factual similarities between the contractual arrangements of the Quintis MIS, these directions will provide informative guidance on the issues to hand.
- Neither Sandalwood Properties Limited (Administrators Appointed) (Receivers and Managers Appointed) (as responsible entity of the Quintis MIS) (“**SPL**”) nor the Receivers are in a position to effect an invalid resolution, particularly where this invalid resolution seeks to bind growers who do not support the proposed change. This would clearly not be in the best interests of affected growers.
- Product rulings and ASIC benchmark and disclosure documentation relating to each Project (and all Quintis MIS) are publicly available on the Quintis website.
- Not all growers participated in the voting at the SGC meetings. The graphs below show the outcome of voting as a percentage of all growers in each scheme rather than only those which voted:

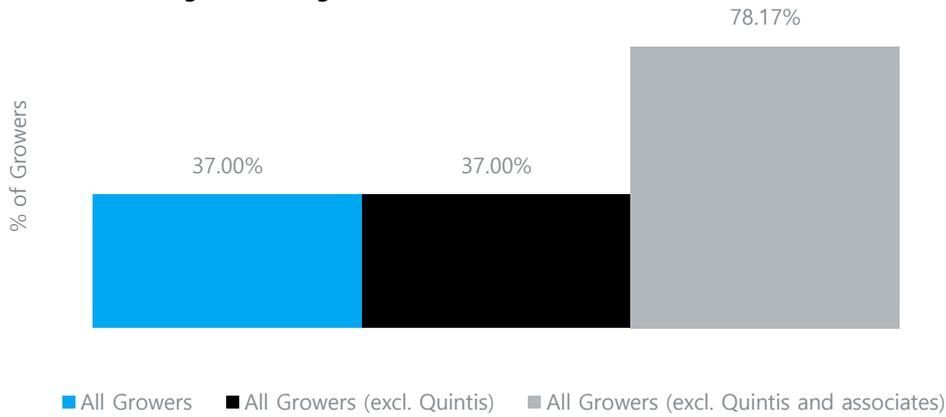
**TFS 2002 - Change of manager votes**



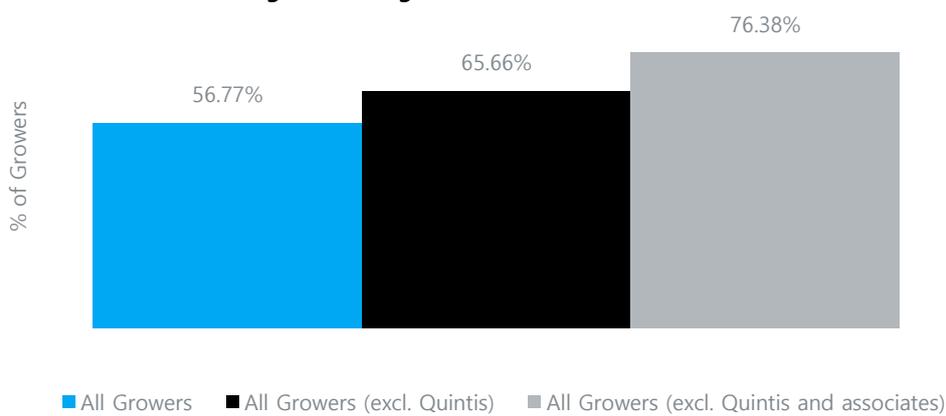
**TFS 2003 - Change of manager vote**



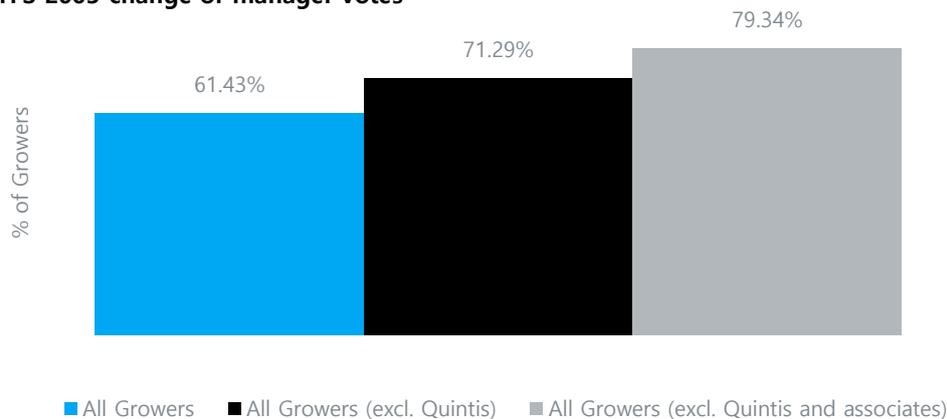
**TFS 2004 - Change of manager votes**



**TFS 2004 Premiun change of manager votes**



### TFS 2005 change of manager votes



- Quintis and other institutional investors who are supportive of the Quintis business and the Receivership process own significant interests in the Projects (and the Quintis MIS generally). This demonstrates both the clear alignment of interests and that the purported vote to change the manager of the Projects was not supported by all investors in the Projects.
- Due to the invalidity of the Resolutions, Quintis continues to manage all MIS plantations.

Statement made by the SGC: “Currently the SGC intends to make no change to the existing lease and management fees in the agreements.”

- The SGC has made no statement as to whether growers will continue to be able to defer L&M Fees or what the position is in relation to investors who have prepaid their L&M Fees.
- The SGC’s statement is one of current intention only and its ability to fund ongoing deferral of L&M Fees by growers will require substantial funding.
- The SGC has been unable or unwilling to provide any detailed financial information or demonstrate how it will fund the extensive costs involved in maintaining the plantations. The costs of maintaining your trees is significant. It is important that the SGC provides full disclosure of how it will fund the full cost of work to be done to maintain, harvest and market your trees.

Statement made by the SGC: “In their recent correspondence the Receivers have made threats of termination of Growers’ leases, forfeiture of trees and raise issues of access to water”

- We have highlighted the risks that growers face by making changes to the arrangement for the management of MIS growers’ plantations.
- The Quintis Group owns the land, water rights and infrastructure required to maintain and harvest the Quintis MIS.
- The ASIC disclosure documentation for each Project makes clear that the land leases and water assets of the Project are not treated as property of the scheme.
- Where an LMA is terminated, the agreement itself states that a grower’s trees will vest in the landowner.
- There is no basis for Quintis providing access or assets to the SGC other than on commercial terms. SGC has not provided any detail on what it requires or the commercial terms it proposes.

Statement made by the SGC: “Avoid the Quintis Team that reduced their oil price by 33% & achieved a 40% loss for Growers”

- We have responded to this statement in our circular dated 9 March 2018. The price achieved was materially higher than bids lodged by underbidders.

**Appendix A**
**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