

31 May 2018

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

McGrathNicol Partners Jason Preston, Shaun Fraser and Robert Brauer, who were appointed Receivers and Managers of Quintis Limited (Receivers and Managers Appointed) (Administrators Appointed) (**Quintis**) and a number of its subsidiaries (together, the **Companies**) last January, provide the following update on the progress of the Receivership and Quintis' business.

**Summary**

- Proposal will inject between A\$125m to A\$175m of new cash funding into Quintis with an additional A\$20m being provided immediately to fund ongoing operations.
- Quintis set to emerge with a strong and stable financial platform to develop the sandalwood industry.
- Very favourable outcome for MIS growers as the proposal will preserve Quintis' vertically integrated business and the existing commercial arrangements.
- Recapitalisation expected to complete by the end of August 2018.

**Recapitalisation Proposal**

With the support of the secured creditors of the Companies, the Receivers have proposed a Deed of Company Arrangement (**DOCA**) to the Voluntary Administrators that results in between A\$125 million and A\$175 million in new cash injected into the business to fund operations on a long-term basis. An additional A\$20 million of funding has been made available immediately for ongoing operations while the receivership process is concluded.

The DOCA proposal would see Quintis' business emerging as a private company in a very strong financial position and well placed to continue its strategy as the world's leading marketer, producer and seller of sandalwood timber, oil and products. The DOCA will release Quintis from all legacy claims. Under the proposal, Quintis' bond holders will recapitalise and acquire control of the subsidiaries of Quintis and the entirety of the group's business and assets. The proposal represents a very favourable outcome for growers, employees and creditors as it preserves Quintis' vertically integrated business model.

The proposal was submitted to the Voluntary Administrators for consideration ahead of their report to creditors and recommendation on the Companies' future, which was released to creditors today (31 May 2018). The second meeting of creditors has been convened to be held on 8 June 2018. The proposal has been recommended by the Voluntary Administrator. If approved by creditors, it is likely that the recapitalisation would be completed by the end of August 2018.

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

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|---------------------------|--------------------|
| 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 |

## Impact of DOCA proposal on growers

Under the proposal, growers' investments in Quintis' Managed Investment Schemes (**MIS**) will be wholly preserved. There will be no change to the terms of any of the Quintis MIS. Growers will retain the right to defer all lease and management costs throughout the life of their projects and their trees will continue to be maintained by Quintis' experienced team of sandalwood forestry experts. We are currently working on ways to improve the processes used for the sale of growers' logs to ensure that there is greater transparency and give growers a higher degree of confidence in the process, including by appointing an independent auditor to oversee the process and report to growers. We are currently consulting with growers in relation to these improvements and will communicate those to growers before any further harvests are undertaken.

The Quintis responsible entity will be well funded and therefore the vehicle best placed to protect grower interests. Others seeking to take over the management of MIS investments do not have the assets, infrastructure, expertise or funding to properly carry out that role. This outcome delivers the very best outcome for growers with no change to their original investment. By supporting the proposal, growers ensure they retain the opportunity to maximise returns from their investment in the sandalwood industry.

## Operational matters

Plantation management activity across Quintis' managed plantations are currently at peak levels, with activity focussed on irrigation, weed control, de-vining, pest control, fire hazard management, pruning and hedging. Quintis' large team of forestry experts and contractors are fully engaged and are working to a comprehensive maintenance program.

Operations at Mount Romance (**MRA**) continue on a business as usual basis. The Receivers have recently terminated an uncommercial contractual supply agreement with the Forest Products Commission (**FPC**) by agreement with the FPC. As part of that agreement, MRA has become a preferred customer of FPC with the right to participate in future FPC wood tenders. That arrangement has enabled MRA to recently participate in the FPC's latest wood tender program, the results of which are yet to be announced. The recapitalisation will enable Quintis to begin to focus on the long term growth needs for MRA and begin work on a major reinvestment program.

In view of the very positive outcome achieved by the recapitalisation, it is expected that the proposal will be supported by growers, employees and creditors whose rights and long term interests are protected.