

31 May 2018

CIRCULAR TO HIGH NET WORTH / SOPHISTICATED INVESTORS – 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.
- 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.

Impact of DOCA proposal on sophisticated / high net worth growers

Quintis will continue to manage institutional and sophisticated investor (**SIO**) plantations on terms that have been put in place by the Receivers with the strong support and endorsement from these investors. To date, all institutional investors continue to support the recapitalisation of Quintis while close to 80% of SIO growers have signed up to the new payment terms and remain supportive of a recapitalised Quintis.

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

In order to formalise amended funding arrangements put in place during the receivership period and to take into account the restructure of the Quintis group pursuant to the DOCA, Quintis and the Receivers will be in touch with SIO growers shortly to request SIO growers execute an amendment and novation deed relating to their investment management agreements. Execution of this amendment and novation deed is a necessary step in preserving SIO growers' investments following the conclusion of the receivership.

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.