

01 February 2019

Dear Grower

I would like to inform you of a number of developments in relation to your investment in TFS Sandalwood Project 2004 (“TFS2004”). These arise from a series of meetings orchestrated in late 2018 by the Sandalwood Growers Co-op (“SGC”). SGC sought to replace Sandalwood Properties Ltd, a Quintis-owned company, with Huntley Management Ltd (“HML”) as Responsible Entity (“RE”) of your Project and three other Projects.

At the conclusion of those meetings HML, an independent and experienced operator of managed investment schemes, and Quintis opened commercial discussions in an effort to find a positive solution that reflected the will of all Growers.

I am pleased to announce the following arrangements are now in place:

1. HML has now replaced Sandalwood Properties as RE for the TFS2004 project. Quintis, as a significant Grower in the Project, endorses and supports HML in this role.
2. HML has appointed Quintis Forestry as the Operational Manager for the Project to maintain your plantations. This appointment, following a comprehensive assessment by HML, means that Quintis Forestry, with its team of dedicated and experienced foresters, will continue to maintain your plantation through to harvest, which Quintis Forestry will complete at the appropriate time.
3. HML will be responsible for running the sales process for wood harvested from the Project. Some Growers have raised concerns about a potential conflict of interest if Quintis was involved in both overseeing the sales process and bidding for the wood. Quintis understands that HML intends to run a transparent and independent sales process for the harvested produce which will seek bids from all market participants. It is considered that this process will negate any potential conflict.

We believe the transition to this model provides the best outcome for all Growers – an objective that has been our guiding principle throughout this process. This objective has caused Quintis to criticise the conduct of the SGC at times and to resist many (but not all) of their proposals because Quintis considered the SGC to be acting improperly and/ or contrary to the best interests of all Growers.

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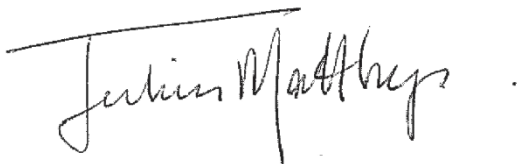
We have advised you in earlier correspondence in 2018 of our position and concerns and reiterate the following key points:

- Quintis and SGC did not agree on the outcome of a meeting of TFS2003 Growers on 23 July 2018. This dispute was subsequently taken to the Federal Court and, on 8 October 2018, Justice Colvin ruled in favour of Quintis by ordering that each of the resolutions considered at the meeting was invalid and of no effect.
- The Australian Securities and Investment Commission (“ASIC”) imposed conditions on HML to limit the on-going involvement of Mr Frank Wilson, a founding Director of the SGC. ASIC has also commenced separate civil proceedings against Mr Wilson.
- There was a meeting of TFS2004 Growers on 19 November 2018. As set out in our letter to you on 26 November 2018, we consider that this meeting was not conducted in accordance with the standards required by the Corporations Act, 2001 and that the meeting failed to treat all Growers equally.
- In July 2018, the SGC informed Growers in the TFS2002 Project that (i) their harvest would finish in September 2018, and (ii) Growers would receive the cash distribution in November 2018. It is now February 2019 and we understand that the SGC’s harvest is still on-going and there has been no distribution to Growers.

We believe that the new arrangements between HML and Quintis are in the best interests of all Growers in TFS2004. These new arrangements are designed to maximise the value of your investment by utilising both Quintis’ industry-leading forestry team and HML’s independent and experienced funds management.

As a result, Quintis Forestry looks forward to deploying its forestry team and resources to maximise the value of your investment.

Yours sincerely



Julius Matthys
CEO