



# SANDALWOOD GROWERS CO-OP LTD

Level 2,  
45 Ventnor Avenue,  
West Perth, WA 6005  
4 September 2023

Dear Fellow Growers,

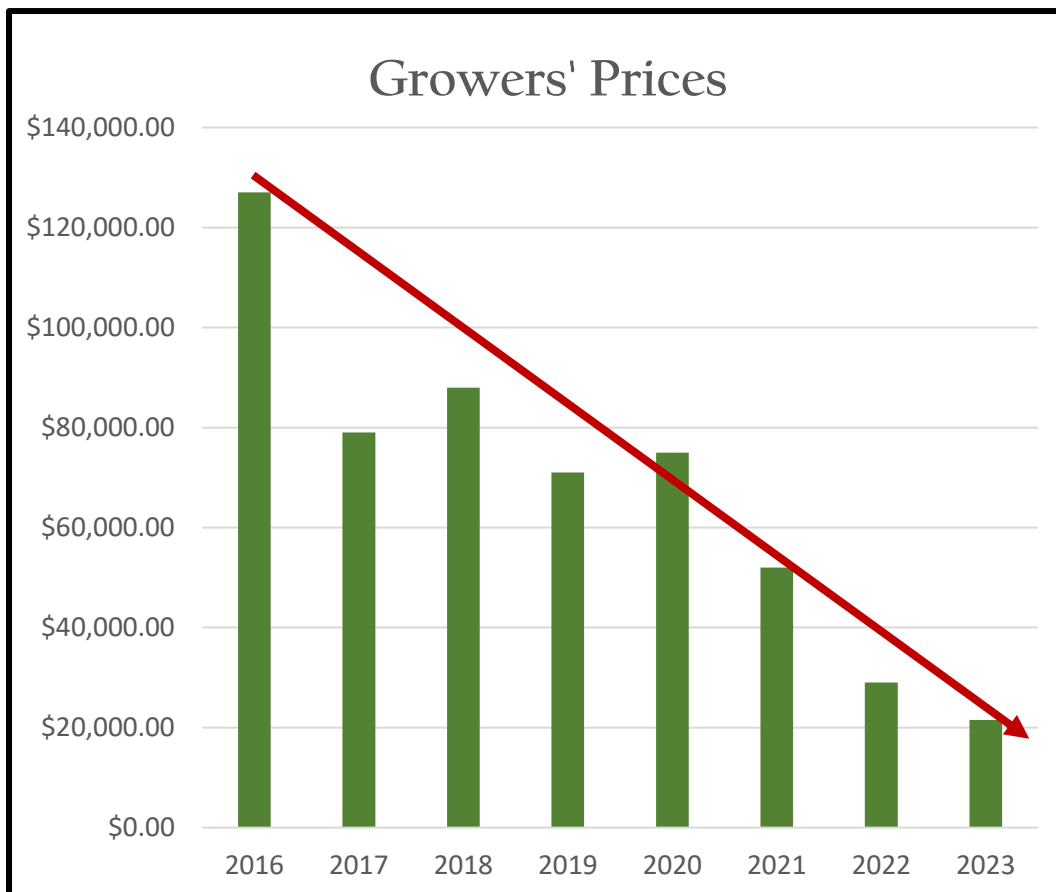
Thank you for your patience in waiting a long time for this update. Despite the lack of recent communication, we have been very active in many areas obtaining the evidence necessary to commence legal action against Quintis Ltd (including their wholly owned subsidiary Sandalwood Properties Ltd) and Huntley Management Ltd.

It has now been 6 years since Blackrock took control of Quintis and completely flushed shareholders.

Blackrock are now well on their way to flushing Growers as well, but we have a plan to stop this and rescue what we believe are still your valuable plantation assets.

## GROWER PRICES AFTER BLACKROCK

To recap, this is a graph of the price paid to Growers before and after the ex Quintis board handed control of the company to Blackrock (note Julius Matthys is still on the board of Quintis and played a major role with his ex -directors in the flushing of Quintis shareholders).



There are clearly some market conditions and factors which have contributed to this price collapse, however there are many more factors that are completely the responsibility of Quintis and their former partners Huntley Management Ltd(“Huntley”) which have caused this collapse in returns to Growers.

These include but are not limited to:

- A. Quintis/Huntley deliberately and publicly criticizing and questioning the quality and quantity of grower wood leading to lower prices being obtained.
- B. Quintis/Huntley holding a tender in the middle of the global pandemic when international and domestic buyers could not travel to inspect the wood leading to lower prices being obtained. Our call for a harvesting halt was rejected.
- C. Quintis publishing negative sentiment about the market for sandalwood to effectively talk down the market leading to lower prices being obtained. Just read some of these Quintis comments in the June 2023 grower update which they attributed to feedback from potential buyers “oil prices are the lowest we have ever seen”, “the market is too low to participate in” , “little demand for wood and oil globally” , “have not been able to sell existing stockpiles of album wood, so we will not be participating”.
- D. Quintis refusing to defer harvesting our plantations leading to lower yields being obtained.
- E. Quintis and Huntleys refusing to allow Growers to observe the harvest and the chain of ownership post-harvest when Quintis trees are harvested alongside our trees. The optics of

this raises alarm bells. Where did the high-grade trees go? We do not know.

The collapse in returns to Growers which has now resulted in Growers in two consecutive projects (2005 and 2006) receiving harvest invoices rather than harvest payments is due to a combination of very poor harvest yields not just very poor prices.

Some of these poor yields were due to poor survival rates which are not able to be remediated, however poor yields can be mitigated and improved by leaving the trees in the ground longer so the yield of heartwood at harvest increases. Despite Quintis' own expert forestry advice recommending this, Quintis and Huntley have steadfastly refused to take the obvious action. Grower requests to do so pursuant to rights under our management agreements have been consistently ignored by both Quintis and Huntleys. This matter will be pursued vigorously.

In the most recent August grower update, Quintis delivered the news of a new record low price of \$21,550 Ton.

Quintis are now suggesting Growers' do not harvest the roots (which generally produce high grades of heartwood and oil) and do not harvest trees in poorly performing areas of our plantations. So, in this case does the landowner get to keep the trees and the roots, or does Quintis? Does Quintis own the land anyway? This is an outrageous decision by Quintis.

Why have Quintis previously refused to delay and defer some harvests even after receiving many grower requests to do so? That is because the Blackrock controlled Quintis needs early cash flow from our harvests to survive. An early harvest leaves Growers with negative returns but it leaves Quintis with cash from the management and harvest fees and marketing fees they deduct from our harvest proceeds. Quintis is and always has been highly conflicted. Cheap grower timber means a lower cost of feed-in timber to their value adding Mt Romance factory near Albany which produces sandalwood oil. Conflict, compromise, conflict compromise.

Quintis have nearly chewed through the US\$175M Blackrock gave them 5 years ago and in our view are on the verge of collapse. They have lost their Head of Operations, and their Head of Forestry and their CFO in the past 6 months as well as a legion of on the ground forestry workers with a wealth of knowledge and experience. In our view their only hope of surviving is to transfer more value from us to them in the form of low prices (where they buy), and premature harvests which delivers them early cash flow. Now they are suggesting we leave the oil yielding roots and poorly performing areas behind.! All at our expense and their gain.

We are sure Quintis and their spin doctors at FTI will deny all of this and run their usual lines but if you look at the facts and the history since Blackrock took control you will see that almost everything we have said and predicted has come true.

#### WHAT TO DO ABOUT THIS?

The SGC has received preliminary legal advice that Growers can commence legal action against Quintis, their directors and their former partners at Huntleys under common law and the Australian Consumer and Competition Act for breach of contract, misleading and deceptive conduct, unconscionable conduct, and abuse of market power.

We have identified several Growers who are prepared to become test cases for other Growers including one of our director's Dr Barry Thompson. Dr Thompson was threatened with an invoice

---

for over

\$1,000,000 in deferred management fees for his 2005 woodlots if he continued to seek his right to market and sell his own wood produce outside the Quintis group. We maintain that Dr Thompson should have been invoiced for 40% of his gross revenue from his harvest which would have amounted to approximately \$150,000. In our view this was an illegal “shake down”, designed to coerce and intimate Growers from exercising their contractual rights. At its core this is blatant unconscionable conduct.

To date the SGC has funded all legal cases brought on behalf of Growers at its own cost as well as the expenses of monitoring Quintis/Huntley’s performance as our manager. This has included numerous plantation inspections, seeking and obtaining expert forestry advice and reports, obtaining expert marketing advice and legal advice.

#### REQUEST TO CONTRIBUTE TO FIGHTING FUND

We are now asking Growers to contribute to the costs of obtaining legal advice from Australia’s leading competition and consumer law experts and to commence legal action against Quintis and Huntleys and their directors in the Federal Court to recover damages for the losses suffered by Growers.

From this legal action we are hoping to achieve the following outcomes for the benefit of Growers:

1. The avoidance of any current or future harvest invoices from Quintis. Based on the latest 2006 harvest Growers can expect invoices of over \$20,000/ha or part thereof unless Quintis actions are stopped.
2. Growers taking control of their own marketing and selling of their harvest produce and appointing their own marketing and selling agents. Note, Growers may choose to continue to use Smith Agri as their agent, but it will be the Growers’ decision not Quintis.
3. Growers taking control of the mode and timing of their harvests to avoid premature and incomplete harvests and resultant lower yields.

Some Growers have suggested using a class action law firm to conduct this action. Our observation is that class actions often involve the law firm or class action funders absorbing the majority of any financial settlements leaving little left over for the class of plaintiffs.

Under our proposal neither the SGC nor the law firm running the case will take any share in any potential financial outcome. In addition, one of the key outcomes sought by us is to obtain independence for Growers in the management and marketing and sale of their plantations which is something a typical class action law firm may not be interested in achieving as it does not deliver a financial return to the class action funders, but it may deliver significant commercial benefits to Growers.

## RISKS

There is a risk that legal action could fail, or that even if successful it will not bring about the outcomes we want, meaning your financial contribution could achieve nothing and your contribution produces no benefit to you or other Growers. But if we do nothing it is almost guaranteed Blackrock will move to flush us out just like they did to shareholders, and we will be left with nothing apart from our harvest invoices TO PAY.

Quintis and their FTI spin doctors are very good media spruikers. While Growers are receiving invoices and not payments from our “harvest proceeds” Richard Henfrey, the Quintis CEO is seeking positive media for launching new plantation investment opportunities with Quintis!!! Can you believe it? See his interview with the ABC on our website [www.sandalwoodgrowers.com](http://www.sandalwoodgrowers.com). Compare Mr Henfrey’s media statements to what Growers are being told by Quintis in the most recent June update and the tender results of \$21,550T announced in the August update. If Mr Henfrey is to be believed the outlook for us Growers should be fairly rosy?

It is obvious to us that Quintis are just softening Growers up for the big flush. Perhaps an offer that Quintis will take your trees off your hands, and you can walk away and avoid further invoices?

Fighting Fund Contribution to Legal and general costs.

See attached a Fighting Fund Contribution Form that we ask Growers to consider and if willing complete and return. This is a voluntary contribution. Please get your own independent legal and accounting advice before you choose to contribute. The directors will do everything necessary to ensure the outcomes and benefits of this legal action only flow to those Growers who contribute.

All funds will be paid into a lawyer’s trust account which will be audited.

Every grower has been asked to contribute proportionally in accordance with the TOTAL area of sandalwood plantations that they invested in. Many Growers invested in different projects over a number of years so they will receive a contribution request for each of those projects.

IT IS ONLY FAIR THAT THOSE NOT CONTRIBUTING THEIR FULL CONTRIBUTION CAN ONLY GAIN A PRO-RATA BENEFIT AND NOT ANY “FULL BENEFIT” THAT MAY BE PAID.

Our advice is that contributions to the legal fighting fund will be tax deductible to Growers in the financial year they are paid but Growers should seek their own tax advice before claiming a contribution as a deductible expense in their tax return.

We make no promises or guarantees that this legal action will produce a positive financial outcome for Growers, but we will try our utmost with the best legal resources available to ensure that:

- Growers do not get flushed like shareholders.
- Growers receive fair value for their plantations.
- Growers get to make their own choices and decisions with respect to the marketing and sale of their plantation produce.
- Growers hold Quintis and Huntleys directors and senior executives to account for losses incurred by Growers due to their breach of contract, negligence, misleading and deceptive conduct, unconscionable conduct, and conflicts of interest.

Please visit our website for recent news and updates and should you wish to contact us, email us on [admin@sandalwoodgrowers.com](mailto:admin@sandalwoodgrowers.com) or should you like to discuss any of this before making a contribution please call on our numbers below:

Graeme Scott 0411 046 212; or

Dr Barry Thompson 0408 214 795

Signed



Graeme Scott (0411 046 212)  
Director  
Sandalwood Growers Co-op Ltd

Signed



Dr Barry Thompson (0408 214 795)  
Director  
Sandalwood Growers Co-op Ltd