

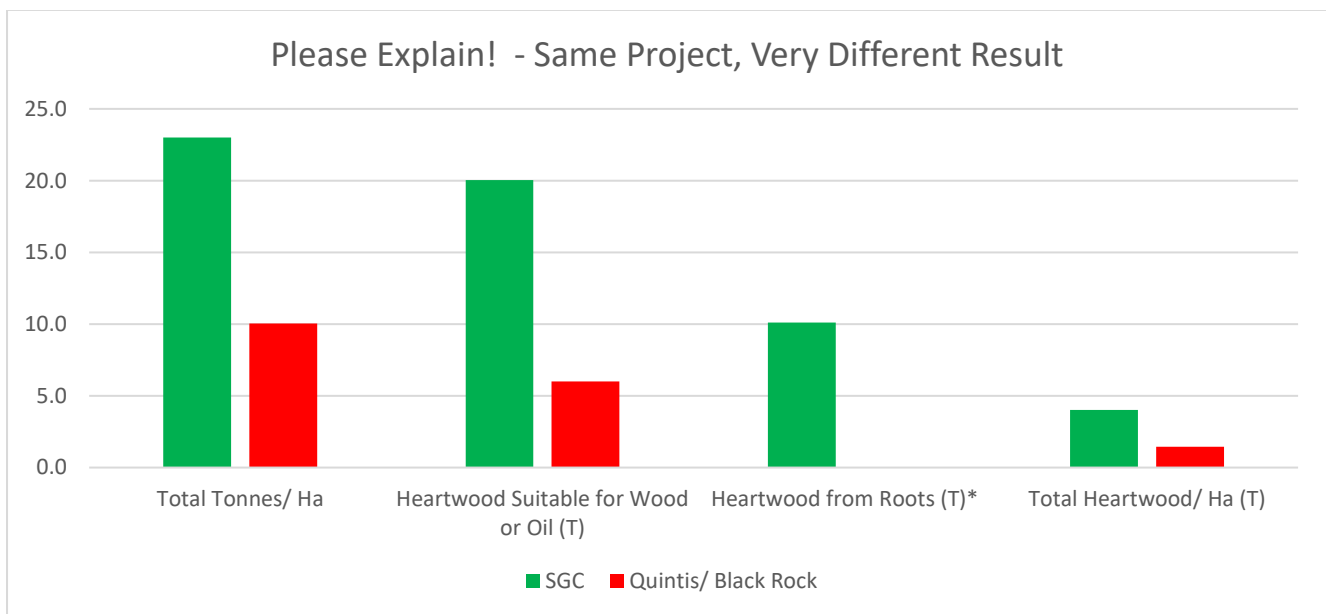
# Sandalwood Growers Co-op Ltd

Dear Growers

## THE SGC CALLS FOR AN URGENT INQUIRY BY ASIC INTO QUINTIS AND HML ROLE IN THE 2002 PROJECT Grower Update for 2002 Project Growers (26.3.19)

### 2002 Project Harvest Yield Comparison

With the successful completion of the 2002 Project it is time for Growers to compare the staggering difference in harvest of the same Project as performed by Quintis under the control of Black Rock versus the SGC:



TFS Sandalwood Project 2002	SGC	Quintis/ Black Rock	Difference	
Hectares	8.0	26.3	-70%	less
Total Tonnes Delivered	184.0	264.0	-30%	less
Total Tonnes/ Ha	23.0	10.0	129%	more
Heartwood Suitable for Wood or Oil (T)	20.0	6.0	234%	more
Heartwood Suitable for Oil Only (T)	2.0	32.0	?	
Heartwood from Roots (T)*	10.1	0.0	>1000%	more
Total Heartwood (T)	32.2	38.0	-15%	less
Total Heartwood/ Ha (T)	4.0	1.4	178%	more

\* This is our most conservative estimate and is likely to be revised upwards once independent test results have been received

1. Quintis has refused to provide the above data to Growers despite numerous requests (now we know why)
2. How can Huntley (HML) address this serious matter when they have entered a commercial relationship with the offending party?
3. Quintis, when it owned the RE, removed 18.5 hectares of sandalwood from the Project for itself from the same harvest they conducted and Growers should be informed of the yield data for that

wood. Despite SGC requests there has never been a legal explanation for this Black Rock controlled Quintis trick;

4. Quintis chose to leave the roots in the ground and use a core borer to attempt a partial recovery here are some photos showing the failure to recover grower's valuable asset which has been left in the ground and coppiced (re-sprouted):



**THIS IS WHY THE SGC CALLS FOR AN URGENT INQUIRY BY ASIC INTO THE FAILURE OF QUINTIS AS RE AND NOW HUNTLEY TO ADDRESS THIS SCANDAL**

### **An Irresponsible Entity?**

We refer to our last update in January and the most recent spin you have received from Huntley Management Ltd (HML) dated 21<sup>st</sup> March. We standby and maintain each and every statement and allegation contained in our January update regarding the behaviour and conduct of HML and Quintis.

In HML's latest spin, managing director Mr Knox refers to his visit to Kununurra on Dec 4 where he visited the 2002 plantation, and inspected the harvest operations and the SGC storage facilities. Mr Knox goes on to say this visit was informative and of great assistance in their later decision concerning the appointment of Quintis as forestry manager in other Projects against the wishes of the overwhelming majority of independent growers. Mr Knox had previously indicated to the SGC no interest in travelling to Kununurra until the following year but obviously changed his interest when he began commercial discussions with Quintis. The hope of more money and more projects offered by Alistair Stevens of Quintis to John Knox of HML must have been irresistible when the SGC believed they would be barking mad to attempt to totally disregard growers' interests. Below is a summary of Mr Knox's Kununurra visit:

"Arrived late afternoon in Kununurra and was taken to inspect the SGC facility and the 2002 harvested timber. Spent 15 minutes inspecting the facility and the timber then had a drink with the SGC indigenous harvesting contractors before retiring to his hotel for dinner. Next morning Mr Knox went on an early morning helicopter flight of the Ord River and Lake Argyle with Quintis staff, returned from the flight and then toured the Quintis processing facility and some of the plantations on Packsaddle road before returning to his hotel to refresh before catching a late morning flight back to Sydney via Perth." This lightning visit, including the helicopter ride, was paid for by Quintis. Mr Knox did not meet with SGC directors in Kununurra and instead assured them that the SGC and Growers had his full support.

### **SGC Powers Up**

The SGC is in the process of obtaining its own AFSL licence from ASIC to enable it to act as the Responsible Entity for the TFS/Quintis Projects. This is a long process but we expect it to be completed by the end of this year when we will call a meeting of growers to remove Huntley and Quintis as RE of all of the Projects.

The SGC's marketing and sale of the 2002 Project timber remains on track to deliver 2.5 times the return per hectare delivered by Quintis despite severe interruptions caused by HML's attempts to remove the SGC as manager of the 2002 – 2005 Projects immediately after independent Growers had voted overwhelmingly to appoint the SGC as their manager. HML's actions have naturally caused alarm and confusion to the SGC's customers and the market generally, particularly on the back of Quintis reducing its prices to customers and growers by between 30%-40% in the recent past. Providing there is no further interference from HML and Quintis the SGC believes it will deliver its forecast of a 2.5X superior return per hectare to 2002 growers. We acknowledge that the harvest took longer than expected and cost more than previous harvests but the benefits to growers from an increased yield due to our harvesting methods have far outweighed the additional costs and time taken to harvest.

### **Quintis Chaos**

It is also worth noting that the dysfunctional management of Quintis continues with the recent abrupt resignation of Quintis head of forestry Brett Blunden something which the SGC has been foreshadowing for some time. Quintis management is now completely run by accountants and its board run by receivers, ex receivers and PR consultants so you can expect more senior forestry and operations staff to resign shortly. The Board of Quintis is deficient in sandalwood forestry operational experience and sandalwood marketing experience and is heavy with corporate undertakers and spin doctors.

We will continue to keep you informed of developments that matter and as a grower I can assure you we have been working harder than ever to achieve the right result for growers and we will continue to do so.

Regards,

Teague Czulowski

Chairman

[www.sandalwoodgrowers.org](http://www.sandalwoodgrowers.org) Sandalwood Growers Co-op Ltd (Reg. No. C2017002B)