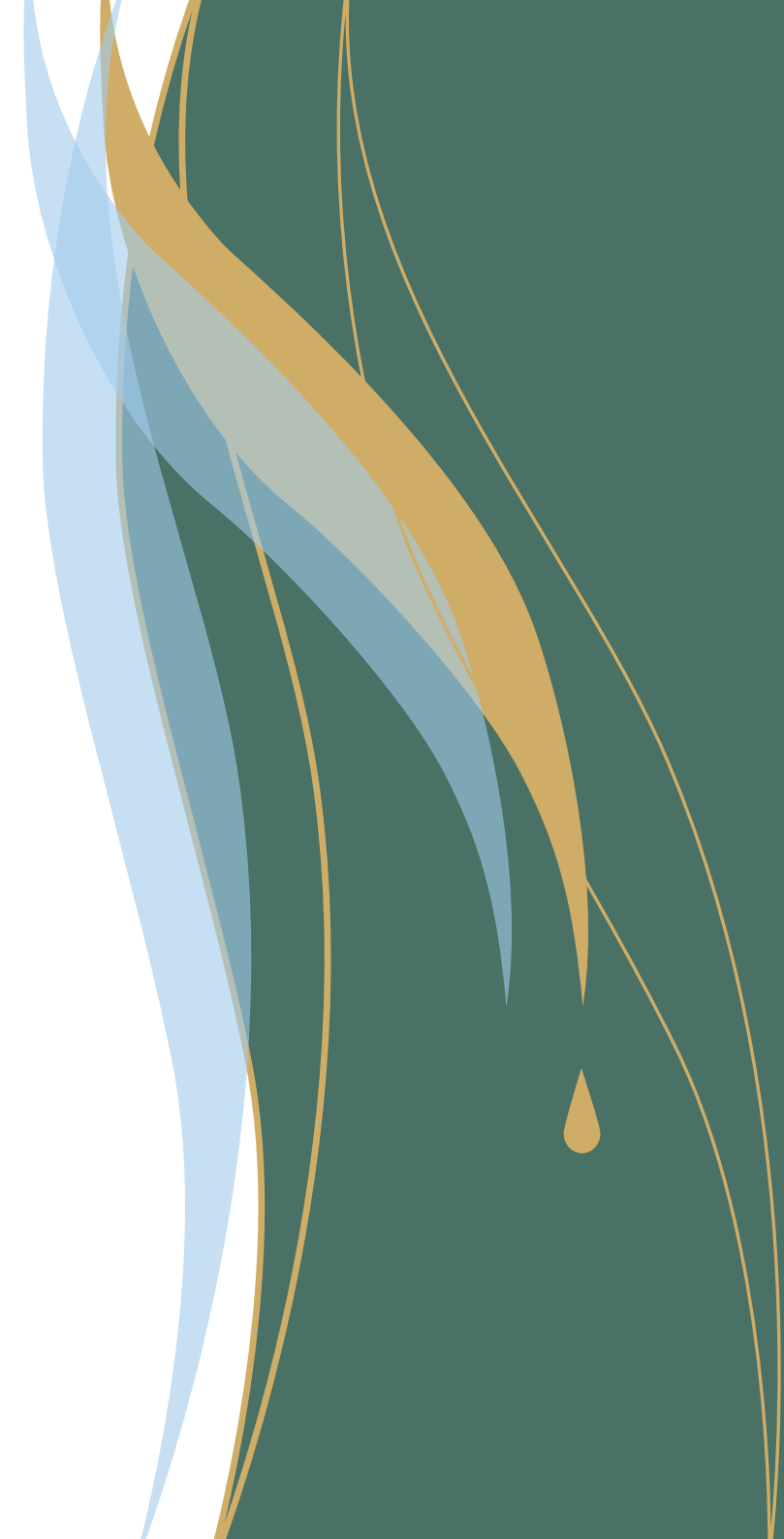




PRODUCT DISCLOSURE STATEMENT

TFS SANDALWOOD PROJECT 2008

INDIAN SANDALWOOD



TFS only plants on previously cleared land selected by our expert forestry staff and independent consultants.





PRODUCT DISCLOSURE STATEMENT

TFS SANDALWOOD PROJECT 2008
INDIAN SANDALWOOD

TFS Plantation is 12km², approximately 500 times the size of the Melbourne Cricket Ground (MCG).





IMPORTANT NOTICES

IMPORTANT NOTICES

This Product Disclosure Statement ('PDS') contains important information about investing in the TFS Sandalwood Project 2008 (ARSN 128 710 261) (the 'Project'). It should be read carefully and in its entirety. Before deciding whether to subscribe for a Sandalwood Lot in the Project you should consider whether investing in this Managed Investment Scheme is suitable for you. If you are unfamiliar with investments of this kind or if after reading this you are unsure whether or not you should invest, you should consult your licensed financial adviser.

This PDS is dated 01 February 2008 and is issued by the Responsible Entity, TFS Properties Ltd (ACN 093 330 977) ('TFS Properties'). Except for those parts of the PDS consisting of, or based on reports from experts, the Responsible Entity is responsible for its contents.

Investments in the Project are speculative in nature. No person, firm or corporation associated with this PDS guarantees, warrants or underwrites the performance of the Project or any particular investment return from this PDS.

ELECTRONIC PRODUCT DISCLOSURE STATEMENT

This PDS will be issued on the following website: www.tfsltd.com.au. Any person accessing the electronic version of this PDS for the purpose of investing must be an Australian resident and must only access this PDS

from within Australia. The Corporations Act prohibits any person passing on to another person the Application Form unless attached to a hard copy of this PDS or accompanied by the complete and unaltered version of this PDS.

APPLICANTS OUTSIDE AUSTRALIA

This PDS does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this PDS. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Sandalwood Lots or otherwise permit a public offering of the Sandalwood Lots the subject of this PDS in any jurisdiction outside Australia. It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Sandalwood Lots pursuant to this PDS. The return of a completed Application Form will be taken by the Responsible Entity to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained by the Applicant.

ENVIRONMENTAL CONSIDERATIONS

The Responsible Entity does not intend to take into account labour standards or any material environmental, social or ethical considerations for the purpose of selecting, retaining or realising an investment in the Project, other than those considerations ordinarily taken into account by an entity operating in the agribusiness sector. A copy of the TFS Integrated Environmental, Quality and Occupational Health and Safety Policy is available from the company website under the 'Corporate Governance' section. TFS has obtained accreditation in ISO 14001 (Environment), ISO 9001 (Quality) and AS 4801 (Health and Safety).

AUSTRALIAN FINANCIAL SERVICES LICENCE

The Responsible Entity has been granted an Australian Financial Services Licence (No. 241192) by the Australian Securities & Investments Commission ('ASIC') which authorises the Responsible Entity to act as responsible entity for the Project as well as certain other Managed Investment Schemes.

PHOTOGRAPHS

Unless otherwise stated, the photographs contained in this PDS are for illustrative purposes only. They do not represent, or purport to represent assets of the Responsible Entity or the Project Manager.

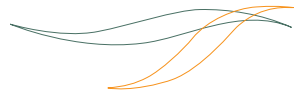
EXCHANGE RATES

Unless otherwise stated, it should be noted that where auction prices of heartwood sales in India are quoted, the following exchange rates have been used:

Average Auction Price	Date	Indian Rupees * Conversion Rate
\$107,985	19/12/07	33.99718
\$98,930	26/04/07	35.08850
\$101,569	22/11/06	34.57021
\$105,451	24/03/06	31.88653

* Source Oanda, The Currency Site

Throughout this PDS, other exchange rates are used for the purpose of converting foreign currency amounts which do not relate to heartwood auction prices. Where other exchange rates are used, the applicable exchange rate and the relevant date on which the exchange rate was applied are displayed.



KEY INVESTMENT FEATURES

- ~ Indian Sandalwood is one of the world's oldest traded commodities. Its use is entrenched in Indian and other Asian cultures.
- ~ Traditional demand remains high, while supply continues to diminish to the point where the Tree is endangered in its natural environment. As a result, Indian Sandalwood heartwood has increased in price by an average of 21% per annum, compounded for the last 16 years.
- ~ Auction prices for small volumes of heartwood in India averaged \$107,985 AUD per tonne in December 2007 - confirming Indian Sandalwood's status as one of the world's most valuable tropical hardwoods.
- ~ Tropical Forestry Services Limited (ACN 080 139 966) ('TFS') is a specialist Indian Sandalwood plantation manager and is committed to the long-term development of an Australian grown Indian Sandalwood industry.
- ~ TFS is a wholly owned subsidiary of TFS Corporation Ltd (ABN 97 092 200 854) ('TFS Corporation'), a public company listed on the Australian Stock Exchange with a market capitalisation of \$180-million as at July 2007.
- ~ Your plantation will be on premium land near Kununurra, carefully selected for its soil types which provide nutrition, good drainage and pest protection.
- ~ With the right soil type, tropical climate, natural lack of predators and an abundance of irrigation water, the Kununurra region provides a proven environment in which to grow Indian Sandalwood.
- ~ Flexible product options with readily available finance ensure an investment that suits your financial needs, being:
 - ~ You pay your Establishment Fee, followed by ongoing Lease and Management Fees for the life of the Project.
 - ~ There are two features to give you maximum flexibility:
 - (a) a Deferred Investment option where you may pay the Establishment Fee and then elect, on an annual basis, for TFS Properties to make ongoing Lease and Management Fee payments on your behalf. In doing so, TFS Properties will receive an increased share of the Gross Proceeds of Sale; and
 - (b) a Joint Venture option where you pay the Establishment Fee and nominate a Joint Venturer to share your investment by paying the ongoing Lease and Management Fees. That Joint Venturer could be your spouse, your superfund or a non-associated third party. The Net Proceeds of Sale are then divided equally between the joint venturers. A minimum investment of 2 Sandalwood Lots is required under the Joint Venture option.
 - ~ The 2008 Project will be the 12th to be planted by TFS .

KEY RISK FACTORS

An investment in this Project is long term, and may be affected adversely by unforeseen events, or events beyond the control of the Responsible Entity.

Many of the risks identified below are not risks peculiar to this Project, and are consistent with risks to be considered in other investment classes and certainly within the agribusiness sector.

The risks of the Project include, but are not limited to the following:

- ~ The Plantation will conclude in the 14th year after planting. Over that period political, economic or social events may occur which have a significant impact on the investment.
- ~ New technologies may be introduced which allow synthesis of an exact substitute of Indian Sandalwood oil which may in turn depress the price for the natural product.
- ~ The proceeds of Harvest in Australian dollars may be reduced due to unfavourable exchange rate variations at the time of Harvest.
- ~ Risks associated with primary production in general, such as pests, diseases and natural disasters such as storms, fires and cyclones.
- ~ The overall forecast yield may be reduced due to higher than anticipated fatality rates, or lower than anticipated heartwood yields.
- ~ The oil yield may be lower than anticipated, which may reduce the value of the heartwood of the Sandalwood.

- ~ Actual costs may be higher than estimated in relation to harvesting, transporting and processing.
- ~ The oil quality may be lower than expected reducing the value of the heartwood timber.
- ~ There are only a few small Sandalwood plantations that have grown to maturity in Australia. These are owned by Western Australia's Forest Products Commission in the Ord River Irrigation Area (ORIA). Consequently, this is a pioneering project for commercial Sandalwood plantation forestry and may be subject to agricultural risks that are not apparent at the date of this PDS.
- ~ Other usual risks of agricultural projects, more detail for which is contained in the Expert Forester's Report at Section 8.1.
- ~ See the Sandalwood Marketing Report section for other risks associated with marketing of the final product.

It ought to be noted that should any of the risks noted above (or a combination of them) occur, this may reduce the expected investment proceeds at harvest. Please refer to Section 2.6(d) of this PDS for further information in relation to the risks associated with an investment in the Project.

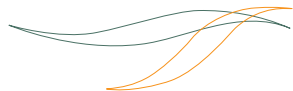


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Several host species are used to grow Indian Sandalwood, which is a hemi parasitic tree.





1.0 AN OVERVIEW

1.1 INTRODUCTION

TFS Properties Ltd ('TFS Properties') invites you to invest in the TFS Sandalwood Project 2008 (the 'Project'). TFS Properties is the issuer of this Product Disclosure Statement ('PDS') and of interests in the Project (called 'Sandalwood Lots' within this PDS).

The Project consists of up to 3,900 Sandalwood Lots of one sixth of a hectare each and any oversubscriptions.

There is no minimum subscription to the Project.

The investment options provided by TFS Properties for this investment are more fully described in Section 2.4.

TFS Properties will appoint Tropical Forestry Services Ltd ('TFS' or 'Project Manager') to manage all plantation activities on your behalf. TFS is a company with considerable experience in managing plantations of Indian Sandalwood in the Kimberley region.

An investor in the Project should be looking for long term investment returns, and should not be anticipating a return before the 13th year after planting which is proposed as the year of the first Harvest.

New legislation which governs the secondary market for immature Managed Investment Scheme ('MIS') forestry plantations came into effect on 1 July 2007 which will facilitate the sale by Growers of their Sandalwood Lots, provided the initial Grower has held the Sandalwood Lot for a minimum of 4 years. Sandalwood Lot(s) may be sold subject to the rules of the secondary market

on which it is sold, the Tax Laws Amendment (2007 Measures No. 3) Bill 2007 and the requirements outlined within Section 7.4 Transfer of Interests.

We recommend that you seek professional advice from a licensed investment adviser, tax adviser or accountant before investing.

1.2 NEED HELP?

If you need help regarding investing generally, we recommend that you speak to a licensed financial adviser. The Australian Securities & Investments Commission ('ASIC') can help you check if your adviser is correctly licensed. The ASIC has a website as well as help lines you can find in your phone book. If you do not have an adviser contact us and we can put you in touch with someone who can help.

If you have any questions about investing you should speak to your adviser. If you have questions about the Project investment in particular, speak to them, call us or visit our website www.tfsltd.com.au.

1.3 ABOUT THE MIS AGRIBUSINESS SECTOR

A MIS is an investment in a project managed by professional managers with particular skills suited to that project.

This PDS provides information about the TFS Sandalwood Project 2008 managed by TFS Properties

as the Responsible Entity. A Responsible Entity is a public company licensed through the ASIC to operate a registered MIS. The Responsible Entity takes full responsibility for operating and managing the MIS, though it is free to appoint managers with specific expertise in certain areas. For example, TFS Properties will appoint TFS as Project Manager of the Project.

The purpose of the Project is to plant and raise Indian Sandalwood Trees for harvest and sale as cleaned logs.

1.4 PROTECTION OF THE UNDERLYING LAND INTERESTS

TFS Properties is the registered proprietor of 11 parcels of land which have been identified by TFS Properties for potential use in the Project. Pursuant to the Head Lease, TFS Properties has leased this land to TFS Leasing, who will then sub-lease portions of this land (in the form of Sandalwood Lots) to the Growers pursuant to the Lease and Management Agreements.

In addition to these lots, TFS Leasing has also entered into an agreement to lease an additional parcel of land for potential use in the Project, and will sub-lease portions of this land (in the form of Sandalwood Lots) to the Growers pursuant to the Lease and Management Agreements.

In order to protect the Growers' interest in the Sandalwood Lots, within 15 months of the end of the income year in which the first application for Sandalwood Lots is received and accepted by TFS Properties ("Lodgement Period"), TFS Properties will ensure that an instrument

conferring the right to use the relevant land is lodged for registration with Landgate (the Western Australian land titles office), in the name of TFS Properties (or its agent) either as trustee for the Growers or otherwise in accordance with its duties as the responsible entity of the Project.

Growers should note however that there is a risk that TFS Properties will be unable to register this interest in the land within the Lodgement Period, in which event TFS Properties will, within 14 days after receiving a written request from an affected Grower, issue to the Grower a full refund of the amount the Grower has invested.

1.5 ABOUT TROPICAL FORESTRY SERVICES LTD

TFS was incorporated in 1997, and commenced planting commercial plantations on behalf of growers prior to 30 June 1999. Since that time it has established over 1,200 hectares of Indian Sandalwood plantations in the ORIA on behalf of around 700 individual growers and companies associated with TFS. By 30 June 2008 a further approximately 525 hectares of Indian Sandalwood will have been planted on behalf of a further 449 growers and companies associated with TFS. It has the benefit of an experienced group of Directors. For more information on the Directors refer to Section 5.2.

TFS is a wholly-owned subsidiary of TFS Corporation Ltd (ABN 97 092 200 854). TFS Corporation Ltd listed on the Australian Stock Exchange in December 2004.



2.0 PROJECT AND FINANCIAL INFORMATION

2.1 WHAT ARE WE OFFERING?

The TFS Sandalwood Project 2008 offers you the opportunity to grow your own Indian Sandalwood, a wood that remains in strong demand and is in diminishing supply.

Average Indian Sandalwood auction prices for heartwood in the State of Tamil Nadu have risen from \$5,100 per tonne in 1990/1991 to \$107,985 in December 2007 on small volumes. A diminishing supply, coupled with Sandalwood's important role in India and other Asian cultures is expected to ensure that demand remains high with continuing upward price pressure. It should be noted however that the TFS marketing expert Mr Anantha Padmanabha is of the opinion that these prices will continue to rise at the rate of at least 5% per annum for the foreseeable future. See his report at Section 8.2 of this PDS.

2.2 HOW DOES THE PROJECT WORK?

As a Grower you will establish and maintain your own stand of Indian Sandalwood by:

- ~ Sub-leasing one or more land parcels from the Lessor (TFS Leasing Pty Ltd). Each land parcel is one sixth of a hectare. Your Sandalwood Lot will be identifiable by reference numbers on a plan of the Plantation. This plan will be forwarded to you once your Application Form has been accepted.
- ~ Engaging TFS Properties (the Responsible Entity) to establish and maintain an Indian Sandalwood

plantation on your Sandalwood Lot. TFS Properties will in turn appoint TFS to manage your Sandalwood Lot together with all other Growers' Sandalwood Lots for the Project as one commercially viable plantation. This engagement continues until all of your Indian Sandalwood has been harvested.

- ~ Engaging TFS to supervise the Harvest of the Indian Sandalwood from your Sandalwood Lot, as well as the processing of the Sandalwood into cleaned logs and their transport to store. The Harvest is expected to take place during Years 13 to 14 (although this may vary dependent upon TFS' assessment of heartwood and oil yields, though will not extend beyond Year 14). The Grower can make a request of TFS as to the percentage of wood that is to be harvested in each year from Year 13 to Year 14.
- ~ Engaging TFS Properties to market and sell your Sandalwood for the maximum price obtainable, unless you elect to collect your Sandalwood for your own purposes (refer to Section 4.11).

2.3 FEES AND OTHER COSTS

Did You Know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To Find Out More

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investment Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

Fees and Costs Template

The following table shows fees and other costs that you may be charged in relation to an investment in the Project. These fees and costs may be deducted from

your money, from the returns on your investment or from the Project assets as a whole.

All amounts shown are inclusive of GST (unless specifically stated) and net of any applicable reduced input tax credits available.

The table must be read in conjunction with the notes on fees and costs set out below the table under the heading "Additional Explanation of Fees and Costs".

You have two (2) different options for the payment of the Lease and Management Fees:

- (a) to pay these fees annually throughout the life of the Project; or
- (b) to defer payment of these fees on a year by year basis.

Note: You may pay more in total fees if you choose to pay Lease and Management Fees later.

You should read all the information about fees and costs contained in this PDS because it is important to understand their impact on your investment.

Fees and costs for the particular investment options for the life of the Project, including payment dates, are also set out in Tables 3A and 3B.

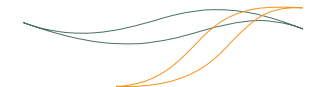


Table 1 - Fees and Costs Template

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Annual Investment Option	Annual Deferred Investment Option	
Fees when your money moves in or out of the fund			
<p>Establishment Fee:</p> <p>The fee to apply for an investment in the Project.</p> <p>For Applications of:</p> <p>between 1 and 5 lots inclusive:</p> <p>6 lots or more:</p>	<p>\$12,650 per lot</p> <p>\$12,100 per lot</p>	<p>\$12,650 per lot</p> <p>\$12,100 per lot</p>	<p>The whole of the Establishment Fee is due and payable by the Grower to the Responsible Entity upon the Grower executing and returning the Application Form to the Responsible Entity.</p> <p>The Grower may elect to:</p> <p>(a) pay the whole of the Establishment Fee upon Application; or</p> <p>(b) pay 20% of the Establishment Fee upon Application and the remainder in instalments within 12 months after Application as agreed by the Responsible Entity (refer to sub-section (a) below for further details).</p>
<p>Registration Fee:</p> <p>Fee for caveat to be lodged with Landgate to register interests in a Grower's Sandalwood Lots.</p>	\$75 per Application	\$75 per Application	Payable by Responsible Entity upon registration of interests in Sandalwood Lots shortly after Application.
<p>Contribution Fee:</p> <p>Not applicable as no additional contributions to the investment are made after Application.</p>	Not applicable.	Not applicable.	Not applicable.
<p>Withdrawal Fee:</p> <p>Not applicable as Growers are not entitled to withdraw from the Project.</p>	Not applicable.	Not applicable.	Not applicable.
<p>Termination Fee:</p> <p>The fee to close your investment.</p>	Not applicable.	Not applicable.	Not applicable.
Management costs	Not applicable.	Not applicable.	
<p>Annual Management Fee:</p> <p>This fee covers ongoing annual costs of the Project. Please refer to sub-section (b) for further details.</p>	\$1,100 per lot ¹	\$1,100 per lot ¹	<p>Under the Annual Investment Option, the Lease and Management Fees are invoiced to the Grower on 1 January of years 1 to 12 of the Project.</p> <p>Under the Annual Deferred Investment Option, the Lease and Management Fees are replaced with the deferral fee applicable to the financial year of deferral (see Service Fees – "Costs of Annual Deferred Investment Option").</p>
Annual Lease Fee:	\$220 per lot ¹	\$220 per lot ¹	Deducted from the Grower's Gross Proceeds of Sale prior to distribution of the Grower's proceeds from the Project.
<p>Harvesting and Processing Fee: (estimated)</p> <p>Please refer to sub-section (d) for further details.</p>	\$2,933 per lot	\$2,933 per lot	

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Annual Investment Option	Annual Deferred Investment Option	
Fees when your money moves in or out of the fund			
Selling and Marketing Fee: Please refer to sub-section (e) for further details.	5.5% of Gross Proceeds of Sale	5.5% of Gross Proceeds of Sale	Deducted from the Grower's Gross Proceeds of Sale prior to distribution of the Grower's proceeds from the Project.
Incentive Fee: An amount payable to the Responsible Entity by reference to the performance of the Project.	30% (plus GST) of the amount (if any) by which the actual Net Proceeds of Sale exceed the Target Net Proceeds of Sale.	30% (plus GST) of the amount (if any) by which the actual Net Proceeds of Sale exceed the Target Net Proceeds of Sale.	Deducted from the Grower's Net Proceeds of Sale prior to distribution to the Grower. Please refer to sub-section (g) for further details.
Service fees			
Annual Deferred Investment Option Fee: Please refer to sub-section 2.4(b) for further details.	Not applicable.	The percentage of Gross Proceeds of Sale to be paid to the Responsible Entity for the relevant year will depend on the financial year in which the Grower requests the deferral of the Annual Fees: Years 1-6: 4% plus GST Years 7-10: 3% plus GST Years 11-12: 2% plus GST	If applicable, the costs of the Annual Deferred Investment Option are deducted from the Grower's Gross Proceeds of Sale upon Harvest of the Sandalwood Lots.
Insurance Fee: The fee payable by Growers who have requested the Responsible Entity to obtain insurance on their behalf. Note that all Growers who have obtained finance for their investment through Arwon Finance must obtain insurance in respect of their Sandalwood Lots. Please refer to sub-section (f) for further details.	Payment of annual insurance premium to an external provider (arranged by the Responsible Entity).	Payment of annual insurance premium to an external provider (arranged by the Responsible Entity).	Payable at the time the insurance is effected on behalf of the Grower by the Responsible Entity.
Switching Fee: The fee for changing investment options.	Not applicable.	Not applicable.	Not applicable.

Notes: 1. Annual Lease and Management Fees are subject to a fixed increase of 2% per annum.

Additional Explanation of Fees and Costs

The costs to participate in the Project are explained below. One Sandalwood Lot covers an area of one sixth of a hectare.

(a) Establishment Fee

The Establishment Fee covers costs of seed acquisition and propagation of seedlings, ground preparation, weed control, planting, fertilising, irrigation costs, and other plantation requirements.

In respect of the Establishment Fees set out in the previous tables, the prices quoted apply to all of the Sandalwood Lots purchased for that particular Application. Therefore, as an example, if you were to apply for 6 lots (i.e. one hectare) under the Annual Investment Option then you will be required to pay \$72,600 (that is, 6 lots at \$12,100 per lot).

Upon executing and returning an Application Form, you acknowledge that the whole of the Establishment Fee is due and payable to the Responsible Entity. However, you may choose one of the following payment options in respect of satisfying the Establishment Fee:

- (a) pay the whole of the Establishment Fee upon Application; or
- (b) pay 20% of the Establishment Fee upon Application and the remainder in instalment(s) within 12 months after Application as agreed by the Responsible Entity (the 'Instalment Option').

The Responsible Entity will monitor the level of Applications received under the Instalment Option and is not obliged to accept all Instalment Option Applications. A limit may be imposed by the Responsible Entity on the number of Applications that will be accepted under the Instalment Option. Further, Applications for the Instalment Option will be reviewed on an Application by Application basis.

If you choose the Instalment Option, you must complete and return the Instalment Option Letter contained in this PDS at Section 12 together with the Application Form to the Responsible Entity. If the Responsible Entity provisionally approves an Instalment Option Application, the Responsible Entity will forward to you an agreement setting out the terms on which the Responsible Entity will allow the Establishment Fee to be satisfied by instalments ('Terms Agreement'). An Instalment Option Application will not be approved unless the Terms Agreement is executed and returned to the Responsible Entity.

The Responsible Entity may charge you interest on overdue amounts at a rate of 10% per annum calculated on a daily basis from the due date until payment is received.

Under the Terms Agreement you charge in favour of the Responsible Entity all your rights, title and interest in your Sandalwood Lot(s) and in the Lease and Management Agreement as security for payment of amounts due under the Terms Agreement and the performance of your duties under the Lease and Management Agreement.

You may elect to pay the balance of the Establishment Fee owing early by notifying the Responsible Entity. No charges for early payment will be incurred.

If you do not pay the required instalments pursuant to the Terms Agreement, then provided the Responsible Entity has given you 14 days written notice to remedy the situation and payment has still not been made, the balance owing under the Terms Agreement will become immediately due and payable. In addition, the Responsible Entity may take legal proceedings to recover the amount, resume all right title and interest which you had in your Sandalwood Lot(s), or do anything which an owner of the Sandalwood Lot(s) is entitled to do under the Lease and Management Agreement.

(b) Management Fees

The Management Fees cover ongoing annual costs of the Project, which will include weeding, pruning, irrigation, growth and yield measurements, pest control and management overheads.

No management fees are payable during the Establishment Period. After the Establishment Period, annual management fees will be charged 6 months in arrears and 6 months in advance on 1 January each year (commencing on the 1 January immediately following the end of the Establishment Period).

For example, if you invest on or before 30 June 2008 your Sandalwood Lot will be planted within 12 months of the Commencement Date (eg. 30 June 2009), and the first annual Management Fee will be invoiced on or about 1 January 2010 with subsequent Management Fees invoiced on 1 January in each following year during the term of the Project. Management Fees will be levied for services rendered 6 months in arrears and 6

months in advance. Subsequent Management Fees will increase at a fixed rate of 2% per annum throughout the life of the Project.

The annual Management Fee for one Sandalwood Lot is \$1,100 inclusive of GST.

(c) Lease Fees

No Lease Fees are payable during the Establishment Period. After the Establishment Period, annual Lease Fees will be charged 6 months in arrears and 6 months in advance on 1 January each year at the same time as the annual Management Fees.

The annual Lease Fee for one Sandalwood Lot is \$220 inclusive of GST. Second and subsequent annual Lease Fees charged will also escalate at a fixed rate of 2% per annum through the life of the Project.

(d) Harvesting and Processing Fee

The present day costs of harvesting your Indian Sandalwood, transporting it to store and processing it has been estimated by TFS at about \$17,600 per hectare (6 Sandalwood lots) (including GST). It should be noted that this is an estimate, and actual Costs of Harvesting and Processing will be charged on a per Sandalwood Lot basis, whether these are more or less than the estimated figure provided above.

You have the right to elect to take your own Sandalwood timber (see Election to Collect Sandalwood at Section 4.11). In the event that you elect to take your own

Sandalwood, you must pay the Costs of Harvesting and Processing prior to being able to collect it.

The current Harvest plan is to remove 20% of the wood in Year 13 and the remaining 80% in Year 14. However the plan may be adjusted as required based on the demand for Sandalwood in that year, price and an assessment of heartwood yields.

(e) Selling and Marketing Fee

TFS Properties will be paid a Selling and Marketing Fee of 5.5% of the Gross Proceeds of Sale. The Selling and Marketing Fee is to pay for selling and marketing services and will be deducted from the Gross Proceeds of Sale prior to distribution if you have elected to have TFS Properties market and sell your produce. Any additional costs incurred by TFS Properties associated with transportation of the wood to market or any costs associated with any procedure to prepare the cleaned logs to a particular buyer's requirements or the requirements of a particular market will be recoverable by it from you as and when such costs are incurred.

(f) Insurance

TFS Properties will insure the Trees in the nursery and when planted on your Sandalwood Lot against fire for 90% of their value at its cost until the end of the Establishment Period. Thereafter you will be responsible for effecting your own insurance if you wish to take such cover. If you are indebted to Arwon Finance in respect of loans made on account of any fees due under the

provisions of the Lease and Management Agreement or this PDS you are required to take out insurance.

(g) Incentive Fee

The Responsible Entity will deduct a Fee of 30% (plus GST) of the amount (if any) by which the actual Net Proceeds of Sale realised exceed the Target Net Proceeds of Sale.

The Incentive Fee is included in the Management Costs part of the Fees and Costs Template in Table 1.

The Target Net Proceeds of Sale is set at \$200,000 per Sandalwood Lot in accordance with the terms of the Lease and Management Agreement. The Target Net Proceeds of Sale is set at \$200,000 per Sandalwood Lot in future dollar terms. This means, in an inflationary environment, \$200,000 is a lower Target Net Proceeds of Sale than \$200,000 represents in value today.

(h) Registration Fees

TFS Properties will arrange to lodge a caveat with Landgate to register interests in your Sandalwood Lots.

(i) Cost Increases

Rather than subject your annual costs (annual Lease and Management Fees) to changes in Australia's Consumer Price Index, TFS Properties has chosen to fix these costs at a rate of increase of 2% per annum, thereby providing certainty for you as to future Fee levels.

Example of Annual Fees and Costs for the Annual Investment Option

The following table gives an example of how the fees and costs in the Annual Investment Option can affect your investment over a 1 year period. You should use this table to compare the product offered under this PDS with other managed investment products.

Table 2 - Example of Annual Fees and Costs - Annual Investment Option

EXAMPLE	BALANCE OF \$50,000.	
The Annual Investment Option	(This figure is used to facilitate comparisons with other managed investment products and is the equivalent of an Application for 4.13 Sandalwood Lots. Please note that this figure is used for illustrative purposes only and Applications for fractions of Sandalwood Lots will not be accepted).	
Annual Management Fee	\$1,100 per lot	For every \$50,000 you have invested in the Project you will be charged a Management Fee of \$4,545 each year.
Annual Lease Fee	\$220 per lot	For every \$50,000 you have invested in the Project you will be charged a Lease Fee of \$909 each year.
Cost of fund	\$1,320 per lot	If you had an investment of \$50,000 at the beginning of the year you would be charged fees of: \$5,454 pa indexed annually by 2% What it costs you will depend on the investment option you choose.



Table 3A: Annual Investment Option (One Sandalwood Lot)

Project Year	0	Est. period	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Financial Year Ending 30 June	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Invoice Date	by 30-Jun-08	1-Jan-09	1-Jan-10	1-Jan-11	1-Jan-12	1-Jan-13	1-Jan-14	1-Jan-15	1-Jan-16	1-Jan-17	1-Jan-18	1-Jan-19	1-Jan-20	1-Jan-21	1-Jan-22	1-Jan-23
Fixed Cost Escalation	2%		100%	102%	104%	106%	108%	110%	113%	115%	117%	120%	122%	124%	127%	129%
Grower Costs (GST Inclusive)																
Establishment Fee	12,650															
Management Fees			1,100	1,122	1,144	1,167	1,191	1,214	1,239	1,264	1,289	1,315	1,341	1,368	-	-
Lease Fees			220	224	229	233	238	243	248	253	258	263	268	274	-	-
Total Costs	12,650		1,320	1,346	1,373	1,401	1,429	1,457	1,487	1,516	1,547	1,578	1,609	1,641	-	-
GST Rebate	1,150		120	122	125	127	130	132	135	138	141	143	146	149	-	-
Grower Cashflow (Exclusive of Tax, Finance, Revenue Returns)																
	11,500		1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463	1,492	-	-

Notes (Annual Investment Option):

1. Assumes Grower is resident in Australia for tax purposes and has invested in one Sandalwood Lot.
2. Lease and Management Fees have been provided in Table 1 of this PDS in Australian dollars as at 30 June 2008. Fixed price escalation of 2% per annum commences from the end of the Establishment Period.
3. There is an annual option to defer Lease and Management Fees (See Table 3B).
4. Loans from Arwon Finance are available to approved investors on Establishment Fees.
5. Additional costs to the above include (GST inclusive):
 - i) Selling and Marketing Fee of 5.5% of the Gross Proceeds of Sale.
 - ii) Incentive Fee of 30% (plus GST) of revenues over the Target Net Proceeds of Sale of \$200,000.
 - iii) Harvest and Processing Fee (estimated) at \$2,933 per lot.
 - iv) Insurance fees where applicable.
6. Numbers have been rounded to the nearest whole number.
7. It has been assumed that the Establishment Fee is paid on Application and not by instalments pursuant to the Instalment Option.



Table 3B: Annual Deferred Investment Option (One Sandalwood Lot)

Project Year	0	Est. Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Financial Year Ending 30 June	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Invoice Date	by 30-Jun-08	1-Jan-09	1-Jan-10	1-Jan-11	1-Jan-12	1-Jan-13	1-Jan-14	1-Jan-15	1-Jan-16	1-Jan-17	1-Jan-18	1-Jan-19	1-Jan-20	1-Jan-21	1-Jan-22	1-Jan-23
Fixed Cost Escalation	2%	100%	102%	104%	106%	108%	110%	113%	115%	117%	120%	122%	124%	127%	129%	135%
Annual Deferral Fee Total 40%			4%	4%	4%	4%	4%	4%	3%	3%	3%	3%	2%	2%	0%	0%
EXAMPLE 1: DEFER YEARS 1-5																
Grower Costs (GST Inclusive)																
Establishment Fee	12,650															
Management Fees			-	-	-	-	-	1,214	1,239	1,264	1,289	1,315	1,341	1,368	-	-
Lease Fees			-	-	-	-	-	243	248	253	258	263	268	274	-	-
GST Credit	(1,150)	-	-	-	-	-	-	(132)	(135)	(138)	(141)	(143)	(146)	(149)	-	-
Total Costs	11,500	-	-	-	-	-	-	1,325	1,351	1,378	1,406	1,434	1,463	1,492	-	-
Total Costs Deferred (GST excl.)			1,200	1,224	1,248	1,273	1,299									
Percentage of Gross Proceeds of Sale			4%	4%	4%	4%	4%									
EXAMPLE 2: DEFERRAL YEARS 6-12																
Grower Costs (GST Inclusive)																
Establishment Fee	12,650															
Management Fees			1,100	1,122	1,144	1,167	1,191	-	-	-	-	-	-	-	-	-
Lease Fees			220	224	229	233	238	-	-	-	-	-	-	-	-	-
GST Credit	(1,150)	-	(120)	(122)	(125)	(127)	(130)	-	-	-	-	-	-	-	-	-
Total Costs	11,500	-	1,200	1,224	1,248	1,273	1,299									
Total Costs Deferred (GST Excl.)								1,325	1,351	1,378	1,406	1,434	1,463	1,492		
Percentage of Gross Proceeds of Sale								4%	3%	3%	3%	3%	2%	2%		
EXAMPLE 3: FULL DEFERRAL																
Grower Costs (GST Inclusive)																
Establishment Fee	12,650															
Management Fees			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease Fees			-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST Credit	(1,150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs	11,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs Deferred (GST excl.)			1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463	1,492	-	-
Percentage of Gross Proceeds of Sale			4%	4%	4%	4%	4%	4%	3%	3%	3%	3%	2%	2%		

Notes (Annual Deferred Investment Option):

- Assumes Grower is resident in Australia for tax purposes and has invested in one Sandalwood Lot.
- Lease and Management Fees have been provided in Table 1 of this PDS in Australian dollars as at 30 June 2008. Fixed price escalation of 2% per annum commences from that date.
- Loans from Arwon Finance are available to approved investors on Establishment Fees.

4. Additional costs to the above include (GST inclusive):

- Selling and Marketing Fee of 5.5% of the Gross Proceeds of Sale.
 - Incentive Fee of 30% (plus GST) of revenues over the Target Net Proceeds of Sale of \$200,000.
 - Harvest and Processing Fee (estimated) at \$2,933 per lot.
 - Insurance fees where applicable.
- Numbers have been rounded to the nearest whole number.
 - It has been assumed that the Establishment Fee is paid on Application and not by instalments pursuant to the Instalment Option.

2.4 INVESTMENT OPTIONS

(a) Annual Investment Option

After payment of the Establishment Fee, you pay ongoing annual Lease and annual Management Fees through the life of the Project. These ongoing Lease and Management Fees should be tax deductible when incurred.

(b) Annual Deferred Investment Option

You pay the Establishment Fee with the Application, but can elect not to pay any further Lease and Management Fees in any year during the life of the Project.

In making the decision not to pay ongoing Lease and Management Fees, you are effectively requesting TFS Properties to make these payments on your behalf. In exchange for making these payments, TFS Properties will receive the Annual Deferred Investment Option Fee, which is an additional share of the Gross Proceeds of Sale at Harvest for each year in which you elect to defer payment. That additional share will range from 4% to 2% plus GST depending on the financial year in which the election is made. See Table 1 on page 6 (under the heading "Service Fees") for the percentages of Gross Proceeds of Sale which TFS Properties will receive in respect to an election to defer payment of Fees in any particular financial year.

In the unlikely event of total destruction of your Sandalwood Lot (refer to Section 4.7), if you have deferred part or all of your Lease and Management Fees you will be liable to pay 55% of all annual Lease and Management Fees, for all years prior to the total destruction event, that would otherwise have been paid if you had taken the Annual investment option.

(c) Joint Venture Growers - Annual Investment Option

This feature allows you to share your investment with a third party, with a decision to share to be nominated upfront on the Joint Venture Growers' Application Form attached to this PDS.

In terms of Product Ruling PR2008/4 investors wishing to participate in this Joint Venture option are required to invest in a minimum of two Sandalwood Lots.

You may participate in the Project in a joint venture with another party. At the time of Application you ('Initial Grower') may split the investment with another party ('Secondary Grower') by both of you completing the Joint Venture Growers' Application Form at Section 11. The arrangement will operate as a joint venture in that you take responsibility for the Establishment Fee component of the investment, whilst the other party is responsible for the annual Fees in respect of the Annual Investment Option.

You will both be entitled to the Net Proceeds of Sale and be responsible for Fees payable to the Manager (such as the Incentive Fee) divided between you on a 50%:50% basis.

TFS will split the Net Proceeds of Sale on a 50%:50% basis and pay these proceeds directly to both you and the Secondary Grower.

2.5 AVAILABILITY OF FINANCE

Finance on Establishment Fees is available from Arwon Finance Pty Ltd for principal and interest terms only. All loans are made on commercial terms and are on a full recourse basis secured against the borrowers interest in

the Project and Sandalwood Trees.

Enquire at TFS for an application form setting out interest rates, terms and conditions of loans, and eligibility criteria.

2.6 INVESTMENT RETURNS

(a) General Assumptions

Best Estimate

- ~ The existing competitive or regulatory environments of TFS Properties' business will not change substantially;
- ~ There are no material beneficial or adverse effects arising from the actions of competitors;
- ~ There is no material amendment to any material agreement relating to the Responsible Entity's business; and
- ~ There are no material changes in industrial, political or economic conditions with respect to the Sandalwood and forestry industries and the Australian economy.

(b) Specific Yield Assumptions

Best Estimate

- ~ Trees will be planted at a sufficient rate to reasonably expect to result in at least 72 Sandalwood Trees per Sandalwood Lot being available for Harvest which allows for a survival rate of at least 85%.
- ~ The total production of heartwood per Sandalwood Tree to be harvested is estimated at 25 kgs in year 13 and 27.5 kg in year 14. Assuming 20% is harvested in year 13 and 80% in year 14 the consequent average heartwood production per Sandalwood Lot should be 1,950 kgs.

~ It is currently planned to Harvest the Sandalwood Trees, commencing in Project Year 13 (20% harvested), with the remainder harvested in Project Year 14 (80%).

More information about yield and Harvest assumptions is contained in the Expert Forester's Report at Section 8.1.

(c) Other Important Assumptions

(i.) Price

Mr. Anantha Padmanabha, a Forestry and Sandalwood Marketing Expert from Bangalore who has focused on the Indian Sandalwood Tree, has written an Expert Marketing Report for inclusion in this PDS. The information contained below is found in more detail in that Report at Section 8.2.

Heartwood from Indian Sandalwood was sold at the November 2006 auctions as conducted by the State of Tamil Nadu Forestry Department (India) at an average of approximately \$101,569 per tonne on small volumes and in April 2007 for \$98,390 per tonne. The slight reduction in the average auction price is due to the sale of only one lower quality category of wood. The average price of this category of wood increased from the November auction where that category of wood had an average price of \$96,694*. At the latest auctions held in December 2007 108 tonnes of heartwood was sold for an average price of \$107,985.

* Please refer to (i) of this PDS for information on then exchange rates used for these auction prices.

~ The wood currently sold at the Tamil Nadu auction is of a high quality, tending to contain on average

4.0% to 5.5% oil. While it is possible that wood grown in plantation conditions might achieve this oil content, it is more likely that a lower average figure of perhaps 3.15% oil content may be achieved. Tests of 14 year old Sandalwood Trees owned by the Western Australian Forest Products Commission (a Government Instrumentality) from 40 samples obtained in December 2004 by TFS showed an average oil yield from the heartwood of 3.15% (see the Expert Forester's Report at Section 8.1.).

~ The wood price is affected by the oil content, with wood of a higher oil content being more valuable. It is therefore possible that the TFS plantation heartwood may trade at a discount to the wood sold at auction, commensurate with the possible lower oil content. As the Expert Forester has indicated in his report, heartwood from the Project may have an oil content of around 3.15%. This represents about 30% to 35% less than the oil content of the heartwood sold at the Indian Auctions in Tamil Nadu which contain 4.0% to 5.5%. As confirmed in the Expert Marketing Report at Section 8.2 the price of heartwood will be affected by both the colour and the oil content which in turn are interrelated. As the heartwood from the Project may have approximately 30% to 35% less oil content than Indian grown Sandalwood (ie 3.15% as opposed to 4.0% to 5.5%), it is reasonable to assume that the heartwood from the Project if sold at auction may be discounted in price in the region of 30% to 35%.

The price of heartwood logs is derived from the quantity and quality of oil yielded in the wood. Generally

speaking the greater the amount of oil yielded, the higher the price of the logs.

Returns will be subject to a variety of risks including the failure of trees to achieve the anticipated yields of heartwood and oil, fluctuations in the exchange rate and changes in the supply and demand for Sandalwood. These risks are set out in more detail in Section 2.6(d) of this PDS.

Potential investors should note that the Responsible Entity will arrange for the Grower's Sandalwood to be sold as cleaned Sandalwood heartwood logs. The oil price is used only for the purpose of estimating the price of cleaned heartwood logs.

Investors should note that the Project's life will be approximately 15 years including the Establishment Period, and that the price of cleaned logs will be affected by market fluctuations in that time.

Mr. Padmanabha has indicated in his Report (Section 8.2) that he anticipates ongoing price increases for heartwood of at least 5% per annum for the life of the Project.

(ii.) Harvesting and Processing

The present day costs of harvesting, transporting to store and processing the Indian Sandalwood to clean logs are estimated by TFS Properties to be about \$2,933 including GST per Sandalwood Lot.

The Costs of Harvesting and Processing provided are an estimate. Actual Costs of Harvesting and Processing will be deducted from the Gross Proceeds of Sale prior to distribution to you.

(iii.) Exchange Rate

The Tamil Nadu auctions are conducted in Indian Rupee and the price of Indian Sandalwood oil is given in US Dollars. It is not reasonable to forecast exchange rate fluctuations between the Australian dollar and the Indian Rupee or US Dollars. A Grower should, however, be aware that exchange rate fluctuations can either positively or negatively affect the Gross Proceeds of Sale from a Sandalwood Lot in Australian currency terms.

(iv.) Cost Increases

Annual Lease and Management Fees will be indexed at a fixed rate of 2% per annum to provide certainty to you as to future cash requirements.

(v.) Recovery of GST

You are deemed by the ATO to be carrying on a business, and as such are eligible to register for GST purposes. Registering for GST purposes will enable you to reclaim any GST paid in relation to the Project within the year that it is paid.

(d) Risks and Risk Management

An investment in this Project is long term, and may be affected adversely by unforeseen events, or events beyond the control of the Responsible Entity.

Set out below are some of the specific and general risks, which the Responsible Entity believes should be considered by potential investors when deciding whether to apply for Sandalwood Lots.

AGRICULTURAL RISKS

Fire

Like many agricultural projects, there is a risk of fire over the dry months. TFS Properties (via TFS) will adopt fire prevention measures outlined in the Plantation Management Agreement and recommends that all Growers insure their Sandalwood lots. Plantation staff are equipped with light duty fire-fighting equipment and are given training in fire prevention and fire fighting. Existing Projects have not experienced any damaging wildfires.

Climate

The plantations are located near the inland town of Kununurra. Due to the distance from the coast, the majority of land around Kununurra is not subject to cyclonic building restrictions. It is generally expected that cyclonic activity in the region will dissipate to a rain-bearing depression due to the area's distance from the coast. Existing Projects have not experienced any cyclones or cyclone damage.

Thunderstorms and strong winds represent a risk in the region and can result in damage to the trees. To limit this risk the Responsible Entity follows a policy of planting host species along the more exposed edge of the plantations.

Other climate related risks include drought, frost, hailstorm, flooding and long term climate change. The occurrence of such events has the potential to be detrimental to the survival of the Plantation and may affect the success of the Project.

Other Physical Risks

A number of other physical risks such as disease, insects and other pests can affect the plantation. TFS will monitor the plantations and will act to reduce these risks wherever possible.

TFS manages these risks through good forestry practice relating to land preparation, weed control, nursery management, pest control and fertiliser application. These objectives are outlined in the Plantation Management Agreement adopted by TFS for the management of the project.

If the Responsible Entity deems it necessary it will replant any relevant Sandalwood Lot(s) or part thereof with sufficient seedlings or Trees with the replanting fee to be paid by the Responsible Entity.

There are only a few small Sandalwood plantations that have grown to maturity in Australia. These are predominantly owned by Western Australia's Forest Products Commission in the Ord River Irrigation Area (ORIA). While this Project is based on published research on Indian Sandalwood and experience gained by TFS Properties Ltd since its first commercial planting in 1999, this is a pioneering project for commercial Sandalwood plantation forestry and may be subject to agricultural risks that are not apparent at the date of this PDS.

FINANCIAL RISKS

Exchange Rate

The proceeds of Harvest in Australian dollars may be reduced due to unfavourable exchange rate variations at the time of Harvest.

Plantation Sandalwood Price Discount

The price of Sandalwood will influence the financial returns of the Project. As Sandalwood gets older generally the amount of heartwood in the tree increases as does the oil content of the heartwood, resulting in higher prices. It is anticipated that Sandalwood in the Project will be harvested at age 13 and 14 years, and accordingly, the heartwood harvested from the Plantation may be younger than the heartwood harvested from old growth natural forests and on which international prices are based. Any considerations of the returns from this project should factor in a discount on the current market price of Indian Sandalwood harvested from the wild.

Yield Estimates and Quality

The financial returns of the Project will be influenced if the forecast yield is reduced due to higher than anticipated fatality rates, or lower than anticipated heartwood yields. If the quantity or the quality of the oil is lower than expected this may reduce the value of the heartwood timber.

Yield estimates given in the PDS are based largely on the FPC experimental plantation and on the extrapolation of growth rates and characteristics of other individual and small groups growing in the area, backed by scientific literature of Indian Sandalwood which is largely based on trees growing in natural forests.

Testing performed on 20 of the 14 year old trees from the FPC's experimental plantation showed an average oil yield of 3.15%. This oil successfully met the International Standards Organisation (ISO/DFIS 3518)

for Santalum album oil (see Expert Foresters Report for further details).

Increased Costs and Unexpected Expenditure by the RE
Changes in the costs of harvesting, transporting and processing may affect the financial success of the Project.

MARKET RISKS

Demand and Supply Forces

Economic changes in the supply and demand for Sandalwood may affect the price of Sandalwood. The wealth of consumers, the availability and price of substitutes and consumer tastes are just some of the factors affecting the demand for Sandalwood. Other factors that may affect the price and sale of Sandalwood include trade policies of importer countries, the development of private plantations and difficulties accessing markets.

New Technologies

New technologies may be introduced which allow synthesis of an exact substitute of Indian Sandalwood oil which may in turn lead to a decrease in the demand for, or price of, natural Indian Sandalwood oil.

No Buy Back Right and Limitations on Transferability

Growers are advised that while there is the provision for a secondary trading market for immature forestry Managed Investment Schemes, there remains a risk of there being limited or no liquid secondary market for Sandalwood lots.

Growers do not have the right to require TFS Properties to purchase their interests. Any sale of Sandalwood lots will be subject to the provisions set out in the Project documents.

REGULATORY RISK

Compliance with Laws

There is a risk that the PDS or the Responsible Entity's Australian Financial Services Licence may be withdrawn by ASIC due to non-compliance with the Corporations Act, or the Project's Constitution or Compliance Plan.

Tax Provisions and Deduction

Current taxation rulings, tax legislation and the ATO Product Ruling in respect to the Project have been used as the basis for the taxation implications of the Project. The legislation and interpretation of taxation rulings could change.

The Commissioner of Taxation will be bound by the ATO Product Ruling issued in respect to this Project. Provided the Project is carried out in accordance with the requirements of the ATO Product Ruling, Growers should be eligible for the tax benefits outlined in the ATO Product Ruling, however there remain the risks of disallowance of the anticipated tax deductions or failure by the Grower to obtain tax deductions in the year of application.

General

Other regulatory risks include:

- (a) failure to obtain the necessary approvals required to operate the Project;
- (b) changes in government and regulatory legislation and requirements which affect the Project; and
- (c) failure to obtain or maintain adequate access to the required infrastructure such as irrigation, power and transport.

MANAGEMENT RISKS

Loss of Key Personnel

The loss of key personnel may affect the success of the Project. To mitigate this risk, TFS Corporation has implemented a staff share incentive program to decrease staff turnover.

Insolvency of the Responsible Entity, Manager

The insolvency of the Responsible Entity or the Manager may result in the suspension or termination of the Project if no suitable replacement can be located.

OTHER GENERAL RISKS

Over the duration of the Project, there is a risk that the success of the Project may be adversely affected by unforeseen political, economic or social events or natural disasters. Such force majeure events may excuse the Responsible Entity or the Manager from complying with the Constitution or the Lease and Management Agreements to the extent that they are prevented from doing so by the force majeure event.

For further explanation of key investment risks associated with the Project please refer to the agricultural risks set out in the Expert Forester's Report contained in Section 8.1 of this PDS.

(e) Return Assumptions

Return assumptions in respect of a project that will continue for 14 years after planting are subject to significant uncertainties, many of which are outside the control of the Responsible Entity and its Directors. You should make your own assessment of the Project based on the information set out in this PDS and based upon advice from your financial adviser.

3.0 ABOUT SANDALWOOD

There is a significant amount of information about Sandalwood contained in the Expert Forester's and Expert Marketing Reports (Sections 8.1 and 8.2 respectively). These reports should be read in conjunction with the following information.

3.1 THE MARKET

There is a strong international market for Sandalwood. A variety of parts of the Sandalwood tree are used in many products around the world. Sandalwood heartwood is used in religious carvings, handicrafts and is used to produce Sandalwood oil, a valuable fragrance ingredient that features in many of the world's most famous perfumes. Sapwood and spent charge (a by-product of the distillation of heartwood) remain popular ingredients in incense and joss sticks.

The popularity of Sandalwood is seen in the wide range of countries that currently import the wood and oil. Sandalwood and Sandalwood oil is currently imported by the Middle East, Japan, China, Taiwan, Hong Kong, Singapore, Germany, Switzerland, France, Australia, the UK and the USA. Trade statistics show that Taiwan alone imported over 3,900 tonnes of Sandalwood wood in 2006. The USA imported close to 20,000 kilograms of Sandalwood oil in the same year.

China has historically been a major importer of Sandalwood. Since the end of import restrictions in 1999 Chinese demand for Sandalwood is reported to have grown significantly. It is anticipated that with the increasing affluence of China (population 1.32-billion people – 2007 est.) that country could once again become a major importer of Sandalwood.



Plantation-grown Indian Sandalwood trees can grow over 8 metres within 15 years.

Further, the dwindling supplies of wood from India are likely to see that country emerge as a significant importer of wood. In 2005 alone over 2,000 tonnes of Sandalwood was imported to supplement Indian demand.

3.2 Supply

The historical sources of supply of Sandalwood have been India, Indonesia and Western Australia, with India accounting for over 75% of total annual world production.

India's supply of Indian Sandalwood has continued to diminish over recent decades and is expected to reduce further as stockpiles in government stores are depleted. Indian Sandalwood (*Santalum album*) is now recognised as a vulnerable species on the World Conservation Union's (IUCN) Threatened Species Redlist.

It is anticipated that the supply of Indian Sandalwood from traditional sources will be significantly lower than current levels by the time the plantation wood from Kununurra is ready for the market. Growing demand for sustainable products may also reduce the demand for Indian Sandalwood from wild sources in favour of ethically produced plantation-grown trees.

Supply from Indonesia has virtually ceased while Western Australia continues to supply a fairly constant 2,000 tonnes of the *Santalum Spicatum* wood each year. This genus is quite different to Indian Sandalwood (*Santalum album*) (which is grown by TFS) in terms of oil composition, fragrance, growth regime, climatic environment and price.

Indian Sandalwood is considered to be the premium

species of Sandalwood, with the greatest concentration of the valuable constituents alpha and beta-Santalol. While Indian Sandalwood, a tropical hardwood, will grow to harvest in 13 or 14 years under irrigation, the Australian species is a slow-growing tree (taking up to 30 years to mature) suited to an arid climate. These differences are reflected in price, with Australian Sandalwood selling for up to \$12,000 per tonne as compared to Indian Sandalwood heartwood which achieves up to \$107,000 per tonne.

Declining supply of Indian Sandalwood in India has resulted in the import of large quantities of the substitute aromatic wood *Osyris*. The *Osyris* species is now facing deforestation in Africa, threatening the long-term supply of the wood.

3.3 DEMAND

Sandalwood has been in demand for over 2,000 years. The demand for the wood is not expected to disappear. Due to the difficulties in replicating the natural oil, substitutes are not expected to replace the true Sandalwood products in the foreseeable future. While synthetic compounds do exist the unique properties of the oil and growing consumer preference for natural products suggest that demand for the natural oil will remain high. Commentators estimate the natural cosmetic market is growing at a rate of 20% per annum, driving the demand for natural ingredients.

Exports of Sandalwood and Sandalwood oil from India have reduced significantly over the past 30 years partly due to decreasing supply and increasing domestic demand within India. It is anticipated that with increasing consumer preference for natural


products and with a reliable and sustainable supply of Indian Sandalwood, the global soaps, perfumery and cosmetics industries could again consume large quantities of Indian Sandalwood. It is expected that growing affluence in China and India may also increase demand for this culturally significant ingredient. Please refer to the Expert Sandalwood Marketing Report in Section 8.2 for further details.

3.4 PRICE

The world market price for Indian Sandalwood fluctuates depending on the source and quality of the wood. Heartwood from Indian Sandalwood was sold at the November 2006 auctions as conducted by the State of Tamil Nadu Forestry Department (India) at an average of approximately \$101,569 per tonne. The average price was determined from the sale of a small volume (54 tonnes) of heartwood of 3 separate grades at the Government auctions in the state of Tamil Nadu. At auctions held in April 2007 only 21.5 tonnes of one category of wood was sold for an average price of \$98,390*. The slight reduction in the average auction price is due to the sale of one lower quality category of wood. The average price of this particular category of wood increased from the November auction where that category of wood had an average price of \$96,694*. At the latest auctions held in December 2007 108 tonnes of heartwood was sold for an average price of \$107,985.

* Please refer to (i) of this PDS for information on the exchange rates used for these auction prices.

Generally speaking the price of heartwood is derived from the quantity and quality of oil yielded from the wood.

An aerial photograph of a nursery facility. The main feature is a long, narrow structure covered with a white, translucent material, likely shade cloth, which houses rows of young green seedlings. To the left, a large, stylized leaf graphic in shades of green and orange is partially visible. In the background, there is a smaller, arched covered structure and a fenced-in area. The surrounding ground is dry and brown, suggesting an arid environment.

TFS Nursery: TFS has a qualified team in a variety of forestry and agricultural fields who maintain the Indian Sandalwood trees from seedlings to harvest.

4.0 PLANTATION MANAGEMENT

TFS will manage the Project as a contractor for TFS Properties.

TFS:

- ~ is an experienced manager of Indian Sandalwood plantations;
- ~ currently owns and manages Sandalwood plantations in the ORIA covering a total area of over 1,200 hectares; and
- ~ has qualified professional staff with experience in all relevant disciplines.

4.1 KEY PERSONNEL

The plantation management team comprises persons experienced in forestry, with significant experience in Indian Sandalwood and horticultural issues in Kununurra. More particulars of the plantation management team are contained below.

Frank Wilson – Executive Chairman LLB

Frank is the founding Chairman, major shareholder and Chief Executive of the ASX listed TFS Group. He has until recently been the founding principal and Managing Partner of the legal firm Wilson and Atkinson (for the past 16 years) which has established a reputation as a leading Australian taxation litigation and advisory law firm. Mr Wilson is an experienced businessman who has a long-standing involvement in the Managed Investment Scheme (MIS) industry. He has been an advisor to a variety of large listed public and private forestry and viticulture groups and has recently been appointed to the Board of Governors at the University of Notre Dame. There are few people who would

have the depth of technical and practical commercial experience in the MIS sector.

Peter Kimber - Expert Forester B Sc Forestry (1st Class Hons)

Peter is acknowledged as the leading authority on growing Indian Sandalwood under plantation circumstances. As Head of the Extensions Branch of the Forests Department of Western Australia Peter was instrumental in the planning and development of research plantations of Indian Sandalwood in the ORIA in the early 1980's. His central involvement in the Government trials continued as Principal Operations Officer of the Department of Conservation and Land Management (CALM) from 1985 to 1994. Peter brings his extensive knowledge and experience to the role of Principal Forestry Consultant to the TFS Group which he has held since 2000.

Malcom Baker – General Manager – Forestry Operations B App Sci Post Grad Dip App Sci - Ag

Malcolm has extensive experience in similar plantation management roles in both Australia and Papua New Guinea. As well as a lifetime spent in agricultural industries, he possesses qualifications in both graduate and post graduate agricultural studies. Malcom has worked in management in primary production, manufacturing of agricultural products and rural input merchandising, and has extensive experience in both general management and plantation management in tropical areas. His skills in human resource management, financial planning, budgeting and work place systems and procedures assist him in coordinating and improving the ongoing functions of the Kununurra operations.

Chris Done - Senior Forester B Sc Forestry

Chris has worked for the WA Department of Conservation and Land Management (CALM) since 1985, as the Regional Manager of the Kimberley Region in charge of all National Parks, Nature Reserves and Marine Reserves. Alongside Peter, Chris was involved with planting and maintaining the original Indian Sandalwood trial plots in the ORIA. Chris joined TFS as Operations Manager in October 2005 and is now the Senior Forester.

Matt Barnes – Group Agronomist B Ag Sci

Matt joined TFS in 2005. He brings a wealth of experience in tropical agriculture and has instituted a number of new programs designed to increase survival rates and reduce the need for ongoing maintenance of the Sandalwood Plantations.

Kirk Hutchinson – Establishment Manager Dip Forestry Management

Kirk joined TFS in March 2006 having had ten years primary industry experience in both Australia and New Zealand. Kirk's role includes overseeing the silvicultural operations of TFS. Kirk has a Diploma of Forestry Management.

Brett Blunden – Land Preparation Manager

Brett has been with TFS since 2001, having commenced work in the Kununurra region in 1996. He brings invaluable regional agricultural experience.

Garry Smith – Nursery Manager

Garry is our Nursery Manager and has been with TFS working in the nursery since 2003. Garry is also experienced in the planting and establishment of Indian Sandalwood and has excellent capacity for the management and organization of large scale commercial nurseries.

Andrew McKenzie – Plantation Manager – Voyager Plantation

Andrew has recently joined us in his senior plantation management role. Andrew has both extensive experience in tropical plantations and nursery production.

Danielle Wiseman – Research Assistant B Sc (Australian Environmental Studies) (Hons)

Danielle comes to TFS with a Bachelor of Science (Australian Environmental Studies) with Honours majoring in Quantitative Environmental Modelling, Land and Water Processes and Ecological Theory and Practice. Danielle's impressive qualifications ensure that TFS will continue to research and develop industry best practices throughout all areas of the plantation. Danielle's experiences at CRC Sustainable Production Forestry (QLD, TAS) and as a research assistant at Albany Forestry Research Centre and Griffith University further enforce TFS' commitment to sustainability.

Nick McCabe – Manager Kingston Rest/ Manager Indigenous Employment B BusSci B Ed

With a wealth of experience working in the Kimberley, Nick brings a broad range of knowledge and skills in both agriculture and indigenous employment to his role as Manager Kingston Rest. His long-standing commitment to working with the Kimberley's indigenous community fits closely with the TFS vision of sustainable development. As Manager of Indigenous Employment, Nick will assist TFS in increasing the number of indigenous employees to 50% by 2016.

4.2 GROWING CONSIDERATIONS

In order to grow Indian Sandalwood successfully in Australia the following growing conditions must be met:

- ~ a tropical climate;
- ~ regular watering;
- ~ free-draining soils;
- ~ land which has a flat to undulating topography and is not subject to water-logging; and
- ~ freedom from termite attack.

The land on which the Plantation will be established possesses all of the above characteristics. Its soil type is described as heavy cracking clay which is generally free-draining and free of termite attack. The land is flat and has access to abundant irrigation water resources from Lake Argyle via the Ord River. This land has previously been farmed and requires no clearing.

The Kingston Rest property also has access to abundant irrigation water resources offered by the 68-gigalitre dam on the property. The property has similar soils to those in the Ord River Irrigation Area and areas will not require clearing. Please refer to Section 8.1 Expert Foresters Report for additional information.

4.3 WHERE WILL THE PLANTATION BE LOCATED?

TFS Properties has a significant landbank suited to the growth of Indian Sandalwood. TFS Properties is currently engaged in further freehold and leasehold

land acquisitions near the town of Kununurra in Western Australia where the project will be established. Planting will take place during the dry season (usually May and June) and the land will be subject to an intensive preparation program during the preceding dry season.

4.4 WHY THE KIMBERLEY REGION?

Section 4.2 details the requirements for growing Sandalwood in plantations. The land surrounding Kununurra uniquely satisfies all of these requirements.

It is ideal because of the abundance of readily available water for irrigation purposes and the fact that its soils are fertile, free draining and of the heavy cracking type which deters attack from the giant termite (*Mastotermes darwiniensis*).

4.5 PLANTING

The Sandalwood Tree is a semi-parasitic Tree which needs host Trees to survive. The Sandalwood Tree's roots penetrate the roots of the host to draw nutrients, water and some metabolites. Such is the voracity of the Sandalwood that a succession of hosts is needed for its successful cultivation.

4.6 ONGOING MAINTENANCE

The Plantation will be maintained in accordance with a Management Plan. Annual maintenance will include weeding and pruning, nutrient analysis to determine fertiliser requirements, fire control management, inventory measurement and regular reporting. The Plantation will also be monitored for pests.

4.7 DAMAGE TO THE PLANTATION OR TREES ON SANDALWOOD LOTS

If the Trees on a Sandalwood Lot are wholly destroyed, your interest in the Sandalwood Lot will cease, and the Lease and Management Agreement will terminate in relation to you, with effect from the time of the event causing the destruction or damage. For Growers electing to participate in the Project on the Annual Investment Option basis, the requirement to pay ongoing annual Management Fees and annual Lease Fees will also cease from the time of the total destruction event.

If the Trees on a Sandalwood Lot are partially destroyed, your interest in the Sandalwood Lot will be reduced in proportion to the area that has been destroyed. The Fees will also be reduced proportionally (although the Lease Fees will not vary). The proportion or area destroyed will be determined by an independent expert appointed by TFS Properties.

Where a total destruction event has occurred to you as a Deferred Grower under the Annual Deferred Investment Option, you will be liable to pay to TFS Properties 55% of all annual Lease and Management Fees for years prior to the total destruction event that would have been paid had you been a non-deferring Grower, rather than a Deferred Grower.

TFS may be able to arrange insurance annually on your behalf to cover the risk of occurrence of a destruction event. Please refer to Section 7.5 of this PDS for further details on insurance.

4.8 CARBON CREDITS

As at the exact nature and time frame for implementation of the carbon trading scheme are not certain at

this time, Carbon Credits are not factored into the forecast returns for this project. Under the Lease and Management Agreement the Grower agrees to transfer all of the Carbon Credits to which they are entitled to the Responsible Entity. The Responsible Entity will consult Growers regarding opportunities to take advantage of Carbon Credits when they arise and will pay Growers a fee in respect of any Carbon Credit trading in which it engages.

4.9 HARVESTING

The heartwood is contained within the larger branches, log, roots and butt of the Sandalwood Tree. The butt and roots contain up to one-third of the heartwood and as a result the Tree is pulled rather than felled. This is achieved by attaching a light chain to the Tree which is then pulled out of the ground by a tractor or a machine with lifting hydraulics.

TFS Properties proposes that Harvest of the Sandalwood will commence in Year 13 and conclude in Year 14. Trees will be selected for Harvest on an individual basis. The precise timing of the Harvest will be determined by forestry management criteria, the aim being to maximise the revenue generated by the Project. The Harvest will be concluded by Year 14. Returns to Non-Electing Growers will be paid quarterly as Gross Proceeds of Sale are received after each Harvest.

4.10 MARKETING AND SALE

At the time of Harvest, TFS Properties will determine the most profitable and appropriate markets for the product. It is expected that the wood will be sold as cleaned logs. The sapwood left over after extraction of the heartwood

also has a number of important uses including the making of joss and incense sticks, (refer to the Expert Marketing Report at Section 8.2). Any proceeds of sale from the wood will be distributed to you after deduction of the Costs of Harvesting and Processing, and any additional costs associated with the Selling and Marketing Fee. Updates on marketing trends and changes to the marketing plan will be communicated to growers via a regular newsletter.

4.11 ELECTION TO COLLECT SANDALWOOD

You may elect on the Application Form to collect your Sandalwood from your Sandalwood Lot. If this is the case, you will not benefit from the economies of scale which may be achieved by pooling the Sandalwood from the whole of the Plantation and selling it on a collective basis with other Growers' Sandalwood.

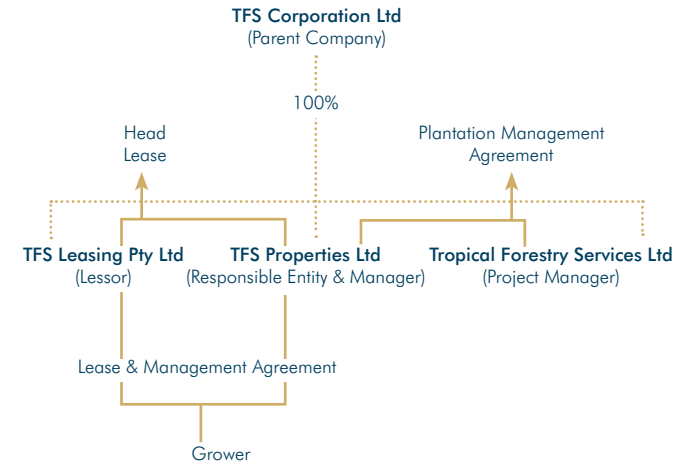
When you elect to collect your own Sandalwood:

- ~ TFS Properties will advise you in writing of the time and place at which it can be collected;
- ~ you will be required to pay your share of the Costs of Harvesting and Processing on (or before) collecting your Sandalwood;
- ~ you will be responsible for your own transport and marketing costs;
- ~ you will be required to pay any outstanding Fees including Lease and Management Fees whether unpaid or deferred; and
- ~ you will also be required to pay TFS Properties' estimate of your share of the Incentive Fee (if applicable), subject to adjustment on completion of Harvest, when the actual amount of the Fees payable has been determined.

TFS has implemented a water recycling facility which saves approximately 7 billion litres a year.

5.0 CORPORATE MANAGEMENT

5.1 PROJECT STRUCTURE



The TFS Corporate Group and specifically the Responsible Entity (TFS Properties) have sufficient financial backing to support the managed investment scheme and enable project to succeed. Group financial statements can be obtained from the annual report available on the company website.

5.2 DIRECTORS

The Directors of TFS Corporation Ltd, TFS Leasing Pty Ltd, TFS Properties Ltd and Tropical Forestry Services Ltd are persons with strong corporate, legal, and business skills, each of whom are highly experienced in company management.

The Directors, as at the date of this PDS, are:



*Frank Cullity Wilson
Executive Chairman*

Frank is the founding Chairman, major shareholder and Chief Executive of the ASX listed TFS Group. He has until recently been the founding principal and Managing Partner of the legal firm Wilson and Atkinson

(for the past 16 years) which has established a reputation as a leading Australian taxation litigation and advisory law firm. Mr Wilson is an experienced businessman who has a long-standing involvement in the Managed Investment Scheme (MIS) industry. He has been an advisor to a variety of large listed public and private forestry and viticulture groups and has been appointed to the Board of Governors at the University of Notre Dame. There are few people who would have the depth of technical and practical commercial experience in the MIS sector.



*Ronald Lionel Eacott
Non-Executive Director*

Mr Eacott is the Managing Director of Expo Document Copy Centre (WA) Pty Ltd, a leading company in the reprographic industry. Mr Eacott is highly experienced in company management having been the State Manager of

Union Steel (seven years) and national Manager (New Zealand) for Elders Pastoral for a period of three years. Mr Eacott was previously the State Manager (WA) of

Boral Steel and later Boral Cyclone over a period of 18 years. Mr Eacott is actively involved in the community. He is also experienced in operating managed investment schemes.



*Blake William Myles
Non-Executive Director*

Since 1987 Mr Myles has been an investment adviser in Sydney, London, New York and Perth. Mr Myles has lived in Perth since August 2000 where he works as a Senior Investment Adviser at Bell Potter Securities.

Mr Myles has wide experience in finance and capital markets both here and in overseas markets. He was actively involved in the float of TFS Corporation Ltd on the ASX in December 2004.



*Ian Mackenzie Murchison
Non-Executive Director*

The founding shareholder and Managing Director of Foundation Capital from its inception in 1994, Mr Murchison has been closely involved with the raising of equity investment funds helping

many small to medium size Companies with their capital requirements. He retired as Managing Director of Foundation Capital in 2005. Mr Murchison was a Director and ultimately Chairman of Mount Romance Australia, an Albany based Australian Sandalwood oil

producer. He is a Fellow of the Australian Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors.



*Ian Ross Thompson
Executive Director*

A former senior executive of News Corporation, Mr Thompson is a former Chief Executive Officer of Community Newspapers and former Chief Executive Officer and Director

of Perth Print and the Super League Perth. Among his achievements was the building and commissioning of a \$100m printing works for Perth Print, a wholly owned subsidiary of News Corporation. Mr Thompson brings to the Board a wealth of experience in management, marketing and sales.



*Tim Croot
Non-Executive Director*

Mr Croot holds over 39 years of experience in the agricultural industry developing a range of horticultural, agricultural, wholesaling, nursery and pastoral businesses throughout

Asia. Since 1991 Mr Croot has been an active member of the Kununurra community, holding senior positions on a variety of regional agricultural organisations. He is now Chairman and Managing Director of a large nursery business that supplies Indian Sandalwood seedlings to the Kununurra Indian Sandalwood industry.

5.3 COMPLIANCE COMMITTEE

TFS Properties has established a Compliance Committee as required by the Corporations Act. The responsibilities of the Compliance Committee are to monitor to what extent the Responsible Entity complies with the Compliance Plan and to report any breaches to the Directors of the Responsible Entity and in certain cases the ASIC.

The Compliance Committee comprises two external members and one representative of the Responsible Entity.

The Compliance Committee members are:

Ronald Eacott – Chairman

Refer to section 5.2 of the PDS – Directors

John O'Brien – External Member

Mr O'Brien is a Chartered Accountant with over 30 years experience in the accounting profession. He is also a Registered Company Auditor who has had experience in auditing a wide range of entities. John has had extensive prior experience in handling investors' funds in agriculture and also acts as a member of Compliance Committees for several Indian Sandalwood managed investment schemes.

Robert Marusco – External Member

Robert Marusco has in excess of 20 years experience in business management roles. He has a tertiary qualification in accounting and financial services.

5.4 COMPLIANCE PLAN

TFS Properties has prepared a Compliance Plan as required by the Corporations Act to ensure that it meets its obligations as a Responsible Entity and that the rights of Growers are protected. The Compliance Plan identifies the obligations under the Corporations Act, the Constitution and the Lease and Management Agreement, and identifies risks of non-compliance and establishes measures designed to address these risks. The Compliance Committee meets regularly every quarter.

5.5 EXPERT FORESTER

TFS Properties has appointed an Expert Forester, Mr Peter Kimber of Kimber Environment Services. The Expert Forester's report appears at Section 8.1.

5.6 MANAGEMENT PLAN

The Plantation will be maintained in accordance with a Management Plan. The Management Plan outlines the procedures to be followed to ensure that the Project is carried out in accordance with Western Australia's Code of Practice for Timber Plantations and in a manner designed to both mitigate the Project risks and maximise the growth and yield of the Plantation. The company has obtained certification in ISO 14001:2004, ISO 9001: 2000 and AS4801:2001.

The Management Plan is available for review at the offices of TFS Properties.

5.7 SHAREHOLDINGS OF THE DIRECTORS OF TFS CORPORATION LTD

The following relevant interests are disclosed:

- ~ F C Wilson, who is a Director of the Responsible Entity, has a beneficial interest in 40,003,061 TFS Shares, being 21.7% of the issued capital of TFS Corporation Ltd.
- ~ R L Eacott, who is a Director of the Responsible Entity, has a beneficial interest in 4,610,667 TFS Shares, being 2.5% of the issued capital of TFS Corporation Ltd.
- ~ B W Myles, who is a Director of the Responsible Entity, has a beneficial interest in 3,163,654 TFS Shares, being 1.7% of the issued capital of TFS Corporation Ltd.
- ~ I M Murchison, who is a Director of the Responsible Entity, has a beneficial interest in 57,493 TFS Shares, being 0.03% of the issued capital of TFS Corporation Ltd.
- ~ I R Thompson, who is a Director of the Responsible Entity, does not have an interest in any of the shares of TFS Corporation Limited.
- ~ Tim Croot, who is a Director of the Responsible Entity, has a beneficial interest in 2,000,000 TFS Shares, being 1.1% of the issued capital of TFS Corporation Ltd.

5.8 INTERESTS OF DIRECTORS OF RESPONSIBLE ENTITY

The Responsible Entity is a wholly owned subsidiary of TFS Corporation Ltd and therefore Directors do not hold any shares in the Responsible Entity directly. Directors' interests in TFS Corporation Ltd are disclosed in Section 5.7. The Directors of the Responsible Entity may receive Director's Fees from the Responsible Entity's own funds.

5.9 NO GUARANTEE

Neither the Responsible Entity nor any Director guarantees the amount or timing of any tax deduction or return. The Directors and the Responsible Entity advise that any policies of the Directors of the Responsible Entity may be subject to change in the event of any economic, financial or other changes subject to the limitations expressly provided in the Corporations Act, the Constitution or the Compliance Plan.

5.10 COMMISSION

TFS Properties may pay up to 10% of all Establishment Fees received for Applications for Sandalwood Lots as commission to eligible financial intermediaries who procure Applications for Sandalwood Lots in accordance with the Corporations Act. In addition, TFS Properties may compensate financial services licensees that have provided assistance of an administrative or marketing nature for the cost of their support.

The amounts payable will be subject to agreement

between TFS Properties and those financial intermediaries, and will be paid by TFS Properties from the funds that it receives as Fees under this PDS. Information concerning any payments which may be made to your adviser should be disclosed by your adviser.

5.11 FORMATION AND ISSUE EXPENSES

All expenses of the issue, inclusive of all legal, accounting and experts' fees, together with all commissions detailed in this PDS and advertising will be paid by TFS Properties from its own funds.

5.12 PARTICULARS OF INTERESTS

TFS Properties will be paid Fees, costs and other disbursements as described at Section 2.3.

- ~ Wilson & Atkinson, a legal firm in which Frank Wilson was a principal and continues to be a part owner in the business, is entitled to be paid professional fees in respect of legal services provided to the Responsible Entity in relation to the preparation and submission to the Australian Taxation Office for the Product Ruling, and associated tax advice on this PDS. These professional fees will amount to approximately \$30,000.
- ~ Kimber Environment Services has prepared an Expert Forester's Report for inclusion in this PDS. The amount which Kimber Environment Services will be paid for this work will not exceed \$10,000.
- ~ Anantha Padmanabha has prepared an Expert

Marketing Report for inclusion in this PDS. The amount which he will receive for this work will not exceed \$10,000.

- ~ Steinepreis Paganin, as solicitors to TFS Properties, is entitled to be paid professional fees in respect of legal services provided to the Responsible Entity relating to this PDS. These fees are estimated to be no more than \$10,000.

5.13 CONSENTS

Kimber Environment Services has given, and not before issue of this PDS withdrawn, its consent to the issue of this PDS with the Expert Forester's Report and other statements attributed to it being included in this PDS in the form and context in which they are included.

Anantha Padmanabha has given, and not before issue of this PDS withdrawn, his consent to the issue of the PDS with the Expert Marketing Report and other statements attributed to him included in this PDS in the form and context in which they are included.

Steinepreis Paganin have given and not withdrawn their consent before the issue of this PDS for the inclusion of the Summary of Material Agreements contained at Section 9 of this PDS and any other statement attributable to them in the form and context in which they are included.

True copies (verified by a statement in writing) of the consents and of every material contract referred to in this PDS are available for inspection without charge at the registered office of TFS Properties.

Lake Argyle is over 30 times the size of Sydney Harbour.



6.0 TAXATION CONSIDERATIONS

6.1 TAX DEDUCTIONS

A Product Ruling would ensure that you are entitled to an allowable deduction for all Establishment Fees, Lease and Management Fees when incurred (non STS taxpayers).

If your Application is accepted before 30 June you are entitled to claim a tax deduction for the Establishment Fee in the financial year in which the Application was accepted where the Establishment Services are completed within 12 months of acceptance.

If your Application is accepted after 30 June you are entitled to claim a tax deduction for the Establishment Fee in the financial year in which the Application was accepted where the Establishment Services are completed within 12 months of acceptance.

Interest on monies borrowed to pay for the Sandalwood Lots should be an allowable deduction in the year in which the interest is incurred for income tax purposes (non STS taxpayers).

You may derive assessable income from the Project being your share of the Net Proceeds of Sale less any GST payable on those proceeds.

6.2 PRODUCT RULINGS

The Responsible Entity has applied for, and been granted, a Product Ruling (2008/4) for this Project by the Commissioner of Taxation. Set out below is a summary relating to the Product Ruling:

A Product Ruling is a binding public ruling under the Taxation Administration Act 1953, in relation to income tax and fringe benefits tax law. A Product Ruling provides certainty for investors by confirming that the tax benefits set out in the Product Ruling are available, provided that the arrangement is carried out in accordance with the information provided to the ATO by the persons described in the Product Ruling as providing information.

The Product Ruling confirms that the relevant provisions of Part IVA of the Income Tax Assessment Act 1936 will not be applied to cancel a tax benefit obtained under a tax law covered in the Ruling. In addition, the Product Ruling evidences the conditional exercise of the Commissioner of Taxation's discretion, contained in Division 35 of the Income Tax Assessment Act 1997 which will ensure that the provisions limiting the deductibility of losses from non-commercial business activities will not be applied to an individual Grower, provided the Project is carried on in the manner described in the Arrangement section of the Product Rulings.

The grant of the Product Ruling does not mean that the ATO sanctions this investment or gives any assurance that the production of Sandalwood is commercially viable. You should obtain individual tax and investment advice before deciding to invest in the Project.

It should also be noted that the Product Ruling does not apply to those Growers who elect to collect their own collectable produce as Electing Growers.

The Product Ruling will be available from the company

website and a hard copy can be obtained from the Australian Taxation Office or from the registered office.

6.3 INCOME TAX

Capital gains tax and income tax may be payable on a disposal of a Sandalwood Lot and you should consult your taxation advisers on this issue.

6.4 GOODS AND SERVICES TAX

The Goods and Services Tax ('GST') is a broad based indirect tax. It is a tax that is charged on the supply of goods and services in Australia and on imported goods. The GST is charged at 10%.

Taxable Supplies in the Project include the sub-lease from the Lessor and the services provided by TFS Properties in accordance with the Lease and Management Agreement. This means that you will be required to pay 10% GST on payment of all services (in accordance with the Lease and Management Agreement).

Where you are registered with an Australian Business Number ('ABN') for GST purposes, you should be entitled to claim an input tax credit equal to the GST that you have paid. You may register for an ABN even if your annual turnover is or would be less than the \$50,000 registration threshold. The main implication of you not registering is that you will have no entitlement to an input tax credit for GST paid.

However as the GST is an expense incurred in deriving assessable income, any GST incurred by you as an unregistered Grower will be an allowable deduction from your assessable income in the year in which it is incurred.

The Lease and Management Agreement provides that any GST which is payable in respect of the Lease, the Fees or any other payment or service which is provided pursuant to the terms of the Lease and Management Agreement shall be paid by you.

You should obtain your own independent professional advice as to the effects of GST with respect to an investment made under this PDS.

6.5 NON-COMMERCIAL LOSSES

Division 35 of the Income Tax Assessment Act 1997 contains provisions that affect the deductibility of losses from what are described as 'non-commercial business activities'. These provisions restrict the extent to which an individual can offset losses from a non-commercial activity against other income. If the provisions apply, losses from a relevant non-commercial business activity will be carried forward and will be deductible against future income from that activity only. These losses will only be allowed as deductions against income from other activities if one of four (4) tests is satisfied or the Commissioner of Taxation favourably exercises his discretion to allow the deduction.

Only one of the tests listed below needs to be passed to enable an individual's loss from a business activity to be deducted against the individual's other assessable income:

- ~ assessable income from a business activity is at least \$20,000;
- ~ the business activity produced profit (for tax purposes) in at least 3 out of the last 5 years including the current year;
- ~ value of real property used in carrying on a business is at least \$500,000; or
- ~ value of other assets used in carrying on a business is at least \$100,000.

None of these tests can be satisfied by you either in the year of investment or in the period of the first three years of the Project. However, s 35-10 ITAA97 provides that the relevant provisions deferring deductibility will not apply in certain circumstances. For you, the most relevant circumstance is the discretion given to the Commissioner in s 35-55 ITAA97 to be exercised essentially where there is an objective expectation that within a period of time that is commercially viable in the context of the industry concerned, 'assessable income will be produced.'

The Product Rulings have been granted pursuant to the conditional exercise of the Commissioner of Taxation's discretion, contained in Division 35 of the Income Tax

Assessment Act 1997. The effect of its issue is that the provisions limiting the deductibility of losses from non-commercial business activities will not be applied to you as an individual Grower, provided the Project is carried on in the manner described in the Arrangement section of the Product Rulings.



Kingston Rest Dam: 67 billion litres - equivalent to 26,800 Olympic size swimming pools.





TFS is committed to sustainable development - delivering benefits to the community and environment while operating a highly successful sandalwood business.

7.0 OTHER IMPORTANT INFORMATION

7.1 NUMBER OF INTERESTS OFFERED

The number of Sandalwood Lots that are available for subscription is 3,900.

7.2 MINIMUM SUBSCRIPTION

There is no minimum amount that must be raised under this PDS.

7.3 BUY BACK PROVISION

You have no right to require that your Sandalwood Lot(s) be repurchased by the Responsible Entity or any other person. If you suffer hardship you can request hardship relief (refer to Section 7.6).

7.4 TRANSFER OF INTERESTS

If you wish to transfer your Sandalwood Lot and ongoing obligations in its entirety to another party you should contact TFS Properties, as the consent of TFS Properties is required. The transfer is subject to the requirements of the Corporations Act, the Constitution and the Lease and Management Agreement. Further details about transferring Sandalwood Lots are set out in the Constitution and Lease and Management Agreement.

New legislation was introduced on 1 July 2007 to allow investors in forestry MIS's to trade their interests in the Scheme, provided the initial investor has held the forestry MIS interest for four years. Sales of Sandalwood Lot (s)

will be subject to the rules of any secondary market on which the scheme interests are traded, together with the requirements referred to above.

7.5 INSURANCE

TFS Properties will insure the Trees in the nursery and when planted on your Sandalwood Lot against fire for 90% of their full value at its cost until the end of the Establishment Period. In the event of a loss during the currency of this insurance, TFS Properties will make a claim and use any insurance proceeds to replace or replant the Trees.

TFS Properties has investigated the availability of insurance for the Trees on your Sandalwood Lot, and if requested to do so by you, can put you in contact with a licensed insurance broker who will be able to effect insurance on your behalf. TFS Properties or the licensed insurance broker will issue you with an annual reminder not later than 1 month prior to the expiry of any term of the insurance effected by you on the Trees on your Sandalwood Lot or Lots.

The proceeds of any successful claims made under the policy of insurance will be paid to you, after deducting or paying all costs, fees, expenses and any other money payable by you to TFS Properties or to any other person.

In addition, TFS Properties will take out public liability insurance for an amount of not less than \$5,000,000 for the duration of the Lease and Management Agreement. TFS Properties will satisfy any premiums due in respect of such insurance.

7.6 FINANCIAL HARDSHIP

At any time after the fifth year of the date of commencement of the Lease and Management Agreement, if you suffer financial hardship or any other misfortune causing hardship you may request TFS Properties as the Responsible Entity to pay from TFS Properties' own funds such Fees, expenses, Lease Fees or other costs due by you under the Lease and Management Agreement for the period of financial hardship. Upon receipt of such a request TFS Properties must consider the request and may at its absolute discretion accept or reject the request.

If TFS Properties agrees to pay the costs on your behalf, you must assign to TFS Properties in respect of each year or part year that TFS Properties pays your costs, 3.5% of the Gross Proceeds of Sale to which you are entitled.

7.7 COMPLAINTS

If you have a complaint about any aspect of the Project you should:

- ~ contact TFS Properties in writing (refer to the Corporate Directory for contact details); or
- ~ contact TFS Properties by telephone (+61 8 9221 9466) and ask to speak with the Complaints Handling Officer.

TFS Properties will acknowledge the complaint within 5 Business Days of receiving it, and resolve the complaint

in a timely fashion. If the complaint cannot be resolved within 10 Business Days of acknowledgment then TFS Properties will maintain monthly contact with you informing you of the progress and estimated time frame for resolution of the complaint.

If you are dissatisfied with the resolution of the complaint then you may:

- ~ refer the matter to the Financial Industry Complaints Service Limited ('FICS') (1300 780 808). FICS is an external complaints resolution scheme of which TFS Properties is a member;
- ~ access the Project's dispute resolution procedures (refer to Section 7.8); or
- ~ pursue any other remedies that are available at law.

Further details about the complaint handling procedures are set out in the Constitution.

7.8 DISPUTE RESOLUTION PROCEDURES

Once the complaints handling procedures (refer to Section 7.7) are exhausted you have the option of accessing the Project's dispute resolution procedures. This is done by providing a dispute notice setting out what is in dispute, the arguments of the party giving the notice and that party's opinion as to what should be done to rectify the dispute. The Responsible Entity must respond in writing to the dispute notice.

If the dispute is not resolved by TFS Properties' response then the matter will be referred to an independent person

who will attempt to resolve the dispute in conference. If the parties remain unable to resolve the dispute then a party may refer the dispute to an independent expert consultant whose decision on the matter will be final and binding.

Further details about dispute resolution processes are set out in the Constitution.

7.9 ENHANCED DISCLOSURE

It is likely that the Project will be a disclosing entity subject to regular reporting and disclosure obligations under the Corporations Act. Copies of documents lodged with ASIC in relation to the Project may be obtained from, or inspected at, an ASIC office. These documents include annual financial, Directors' and auditor's reports as well as continuous disclosure notices and audits of the Compliance Plan. Continuous disclosure notices provide information about matters impacting on the value of Sandalwood Lots which would not otherwise be generally available.

If the Project is a disclosing entity, you may request that TFS Properties (refer to the Corporate Directory for contact details) provide you with the following information within five (5) days free of charge:

- ~ the Project's most recent Annual Financial Report;
- ~ any half yearly financial report lodged with ASIC by the Project after that Annual Financial Report and before the date of this PDS; and

- ~ any continuous disclosure notices given by the Project after the lodgement of that Annual Financial Report and before the date of this PDS.

In the event that the Project is not a disclosing entity you will be provided with ongoing disclosure of any material changes to, and any significant events affecting matters specified in this PDS. TFS conducts an annual mailout of Annual Reports to Growers and shareholders. Growers also receive a regular newsletter covering recent updates.

7.10 ANNUAL REPORT

Each year you will be sent an annual report in relation to the Project. The annual report will provide you with information pertaining to the operations of the Plantation, the health of the Trees and other information affecting the performance or viability of the Plantation.

7.11 CONFIRMATION OF TRANSACTIONS

You will receive confirmation of transactions occurring in relation to your Sandalwood Lot(s) as required by the Corporations Act. Generally this will include confirmation of the transaction by which you as a successful applicant acquire your Sandalwood Lot(s) and become a Grower.

7.12 DEFAULT

In the event that you default in payment of any Fees, TFS Properties and/or the Lessor may terminate your Lease and Management Agreement in accordance with its terms and may sue to recover Fees due under the Lease and Management Agreement.

7.13 RECORD OF INTERESTS

TFS Properties will:

- ~ send you a certificate for the Sandalwood Lot(s) acquired, after acceptance of your Application;
- ~ send you a site plan identifying your Sandalwood Lot(s); and
- ~ maintain a register of Growers, identifying the Sandalwood Lot(s) held. This may be inspected by you at TFS Properties' office during normal business hours.

7.14 APPLICATIONS

To apply for Sandalwood Lot(s), please complete an Application Form and send it to TFS Properties with the Application Money.

More information as to the process of Application and acceptance of Application can be found with the Application Form at Section 11.

7.15 COOLING OFF PERIOD

If you make an Application under this PDS you have the right to withdraw the Application and obtain a refund (less any amounts TFS is entitled to deduct by law) within a 14 day cooling off period. The cooling off period is as defined in Sections 1019A and 1019B of the Corporations Act. Your right is subject to the limitations set out in the Corporations Act. The cooling off period begins either from the day TFS accepts your Application in writing or 5 days after TFS issues you an interest in the Project, whichever occurs first. The right to withdraw the Application cannot be exercised at any time after you have exercised a right or power under the Project.

The cooling off period is extinguished once you have signed a Lease and Management Agreement (or the Responsible Entity signs a Lease and Management Agreement on your behalf under a Power of Attorney from you) even if the cooling off period may not then have expired.

7.16 EXECUTION OF THE DIRECTORS


This PDS was signed on behalf of the Directors of TFS Properties, the Responsible Entity, by:



Chairman



3 year old Plantation-Grown
Indian Sandalwood Tree.

A landscape photograph showing a dead tree in the center, flanked by two healthy green trees, with a white text box in the upper right corner. The dead tree is tall and thin, with no leaves. The green trees are shorter and bushier. The ground is dry and brown. In the background, there are hills under a clear sky. A decorative orange and green leaf graphic is on the left side of the image.

The secondary host tree will naturally die after several years and the Indian Sandalwood tree will continue growing on a tertiary host tree.

8.0 EXPERT REPORTS

8.1 EXPERT FORESTER'S REPORT

Kimber Environment Services

ABN 39 703 774 980
29, Turnberry Way, Pelican Point,
Bunbury, Western Australia 6230.
Phone/Facsimile (08) 9724 1090

The Directors

Tropical Forestry Services Ltd.
254, Adelaide Terrace,
Perth, Western Australia 6000

Gentlemen

This report has been prepared for inclusion in a Product Disclosure Statement to be issued by TFS Properties Ltd. (the Responsible Entity) in respect of the planting and ongoing management of a plantation of Indian sandalwood (*Santalum album*) to be established in the Ord River Irrigation Area (ORIA) of the Kimberley Region of Western Australia in 2008.

It has been researched and written by Peter Kimber of Kimber Environment Services (the Consultant), a forest management consultancy that specialises in tropical tree plantations. The Consultant has a first class honours degree in forestry supported by 50 plus years of forest management and research experience gained in East Africa and Western Australia.

The Consultant has been closely involved in the research and development of nursery and plantation techniques for the successful culture of Indian sandalwood in the ORIA since the mid 1980s.

Kimber Environment Services is retained by Tropical Forestry Services Ltd., an associate entity of TFS Properties Ltd. as a Consultant to advise the Company on nursery management and on the establishment and management of its sandalwood plantations, for which services it receives payment.

Irrigated plantation forestry for the production of Indian sandalwood is now a well established industry in the Ord River Irrigation Area of tropical Western Australia, The Responsible Entity has established, and now manages a little over 1,000 hectares of successful sandalwood plantations, and the completion of its 2007 planting programme will extend this area.

Experimental plantation areas established by the former Western Australian Forests Department and its successor, the Department of Conservation and Land Management, and now controlled by the Forest Products Commission of WA are more than 15 years old and their assessment a year ago provided evidence of the productivity and oil content of Indian sandalwood trees grown in the ORIA of the Kimberley Region. The sandalwood plantation industry is the successful outcome of more than 20 years co-operative research by government departments, Western Australian universities and private forestry companies, and places Western Australia at the forefront of world knowledge and experience in this field of endeavour.

The Sandalwood Tree

Worldwide there are 16 living species of the sandalwood plant family Santalaceae, and one species that is thought to be extinct. The 16 extant species occur in Australia, Papua-New Guinea, India, Indonesia, in a number of Pacific island groups and one species occurs in east and southern Africa. With the exception of the two native species that are harvested commercially in Australia, sandalwoods in almost all countries have been over-exploited and in some cases their populations have been reduced to a level where they may be close to extinction.

Indian sandalwood (*Santalum album*), which is the subject of this plantation project, occurs naturally in India, Indonesia and to a minor extent in the Northern Territory of Australia where it is believed to have been introduced by Indonesian fishermen.

All sandalwoods are partially parasitic, however this parasitism is obligate and sandalwood trees can only survive and grow when they are able to form a union with the roots of other trees and shrubs growing near them. These "host" trees provide the sandalwood with its requirements for nutrients, some metabolites and some of its water needs which are transferred to the sandalwood tree via the root unions. Although catholic in their choice of hosts, Indian sandalwood trees will only flourish and become commercially productive when they are provided with carefully selected host species that have been identified through research trials as highly suited to the hosting function.

Indian sandalwood is a small to medium sized tree with a dense crown. In its native India it may reach 20 metres in height and close to half a metre in diameter. A tree of these dimensions would be very old and hard to find in these days of intense harvesting pressure. Grown in plantation for 14 years, which is the period proposed for this project, trees can be expected to reach no more than 10 metres in height and up to 25 centimetres diameter at the base of the bole. Due to the poor form and bushy nature of most species of sandalwood, tree diameters are traditionally measured 20 to 30 centimetres above ground level where there is generally a length of bole free of branches suitable for measurement. This protocol is followed throughout this report unless measurements are identified from a different position on the tree.

Sandalwoods are valued for the aromatic oil they produce in the darker coloured central core of wood in the bole and roots which is known as heartwood. The oil can be extracted from the heartwood after it has been reduced to very fine chips or ground to a flour-like consistency. The extraction is traditionally carried out using steam distillation, although it can also be extracted with some organic solvents.

The yield and quality of the oil varies greatly from species to species of sandalwood. Indian sandalwood produces the greatest quantity of oil of the highest quality among the sandalwood species. Indian sources quote up to 6 percent of the weight of the heartwood in the lower bole and larger roots consisting of oil. However the average yield appears to be less than this. The level of santalols, the compounds for which the oil is prized, in Indian

sandalwood is also quoted at up to 90 percent of the weight of the oil.

The oil content of the heartwood varies with its position in the tree, reaching a maximum in the lower part of the bole, the butt and the larger roots. The concentration of oil declines with increasing height up the tree, as does the amount of heartwood. In the case of trees grown for the 14 years proposed for this project, the heartwood is not expected to extend to more than 2.5 to 3 metres height above ground level.

Background To The Sandalwood Industry.

According to Indian literature, sandalwood has been traded as a valuable commodity for a period in excess of 2,000 years. The present day market is for sales of heartwood billets, and for small pieces containing both heartwood and sapwood which are used in the manufacture of incense sticks for use in religious ceremony in India and in many other Asian countries. The better quality wood is distilled to extract the oil which is then sold, mostly to the major perfumeries around the world.

In India, where the widest range of uses occurs, in addition to incense it is also used for high quality carvings (valued at up to several thousand dollars each), for cosmetics and toiletries, for medicinal purposes and for flavouring chewing tobacco. The majority of the sandalwood harvest in India is distilled for the production of the highly-priced oil.

The major world producers of sandalwood today are India and Australia. The Australian sandalwood

industry is based on two indigenous *Santalum* species, *S. spicatum* and *S. lanceolatum*. The former species is harvested in Western Australia and is used primarily for the production of incense sticks. Some is used for distillation to extract the oil, but the yield is much lower than from Indian sandalwood.

The quality is also inferior with the santalols content of below 30 percent compared to between 60 and 90 percent for Indian sandalwood oil. The Western Australian harvest is controlled by the state government and is claimed to be sustainable at around 1,800 tonnes per annum.

There is a small annual harvest of a few tonnes of *Santalum lanceolatum* in Queensland which is exported to Asia for burning as incense. *S. lanceolatum* contains even less oil than *S. spicatum*. India remains the only present day source of the highly sought after oil derived from the Indian sandalwood tree.

The resource in India has declined alarmingly over the past two to three decades. In spite of state governments in India attempting to restrict harvesting to a sustainable level, they are unable to control the widescale theft of sandalwood from state forests and other lands; all sandalwood trees in India are owned by the government, irrespective of the ownership of the land on which they are growing. Some estimates put the level of illegal harvesting at several times the permitted cut. So serious is the problem of illegal over-cutting and the depletion of the resource that the Indian authorities have been forced to reduce the permissible (legal) annual harvest from 3,000 tonnes plus per annum 20 years ago to the present day figure of less than 1,000 tonnes per annum.

As a result of declining availability there has been a rapid escalation in the price of the timber and the oil. With the resource declining at such a rapid rate in India, the future for the production of sandalwood from plantation sources looks very bright.

The Proposal

The Responsible Entity proposes to invite subscribers to purchase an interest in timber lots, one sixth of a hectare in area, that are to be developed as irrigated plantations of Indian sandalwood on cleared farmland in the Ord River Irrigation Area of the Kimberley Region of Western Australia. The products from the plantation may either be sold and exported as billets and pieces of sandalwood timber, or they may be processed locally to produce oil.

The Plantation Site Detail.

Location

The proposed plantation will be established mainly on land on the Ivanhoe Plains area of the ORIA on farmland that has been cleared and cultivated for upwards of 30 years. It is situated approximately 20 kilometres north of Kununurra townsite from which it is accessible by sealed road. A small part of the plantation may be established on the Kingston Rest property, acquired by Tropical Forestry Services in 2006 and located 67 kilometres south east of Kununurra on the Great Northern Highway.

Soils

The soils of the Ivanhoe Plain which have been surveyed and mapped by the Western Australian Department of Agriculture and which are suitable for growing Indian sandalwood are predominantly Cununurra Clay with

very minor occurrences of the normal phase of the Keep soil series. These are identical to the soils already supporting successful sandalwood plantations in the area. Other soil types on the Ivanhoe Plain are not suited to growing tree crops.

Soils at Kingston Rest are similar to those of the Ord River Irrigation Area in that they are located on a flood plain, in this case the flood plain of the Dunham River, a tributary of the Ord River. However, they include a wider range of clay based soils suited to growing tree crops than the Ord, including Cununurra Clay, a brown clay with affinity to Argyle Clay, and duplex soils where clay lies very near the surface.

Indian sandalwood adapts well to growing in these clay soils, but it is essential to ensure that the land has an adequate slope to shed water if waterlogging effects are to be avoided. The land for this project will be laser-levelled to a suitable gradient which will provide both an adequate flow of irrigation water when furrow irrigation is practised and good drainage in the wet season when heavy rains can be expected.

Climate

Indian sandalwood occurs naturally in a tropical monsoon climate that experiences a wet or monsoon season with heavy rainfall followed by a dry season of several months duration when little or no rain falls and when air temperatures may be high. The tropical north of Western Australia experiences this type of climate, but is somewhat hotter and drier than some of the areas where Indian sandalwood grows naturally. The heat may be a bonus promoting fast growth rates. However to take full advantage of this factor, the plantations have to be irrigated throughout the dry season.

Water for Irrigation

Irrigation water for the plantation on the Ivanhoe Plain will be accessed from Lake Argyle, a storage dam located 55 kilometres south of Kununurra township, and 75 kilometres from the site of the proposed plantation. The dam was constructed in the early 1970s specifically to provide water for irrigating farms in the Ord River Irrigation Area. It now incorporates a hydroelectric plant that supplies power to most of the East Kimberley Region. The dam was designed to provide a reliable source of water for the irrigation for up to 70,000 hectares of farmland while still maintaining a year round flow in the Ord River to retain the wildlife and conservation values of the river system. To date around 14,000 hectares have been developed as farms and receive irrigation water from the dam. A further area of almost 22,000 hectares and located on the Weaber and Knox Plains is scheduled to be developed as irrigated farmland in the next few years.

When full, Lake Argyle has a surface area in excess of 2,000 square kilometres and is close to 100 metres deep at the dam wall.

Water for irrigation is released from Lake Argyle and travels the 55 kilometres along the natural channel of the Ord River. At Kununurra it is held back by a diversion dam forming lake Kununurra, the level of which is high enough to gravity feed water via a system of channels to farms on the Ivanhoe Plains. Water supply is controlled by the Ord Irrigation Cooperative who measure the flow of water onto the farm and charge the recipients a fixed rate per megalitre (1 million litres) of water used.

The Kingston Rest property has its own private dam which Tropical Forestry Services has secured on a long-term lease.

Establishing The Plantation.

Supply of Tree Seeds

The Responsible Entity has procured locally collected Indian sandalwood seed for the project from plantations in the Ord River Irrigation Area. Seed collection is restricted to the better trees in the local plantations. The ripe fruits are picked directly from the tree, macerated to remove the fleshy seed covering and dried within 48 hours of collection. As a result the seed has a very high germinative capacity and is superior to imported seed.

Seed of all the host tree species is also collected locally from both naturally occurring trees and from those grown in plantation.

Raising Seedlings

The Responsible Entity owns and runs its own up-to-date nursery on its Packsaddle Road property, a few kilometres south of Kununurra. The nursery has recently undergone its second expansion and is now capable of producing tree seedlings for planting up to 350 hectares of sandalwood plantation. Additional seedlings are supplied under contract to the Responsible Entity by a commercial nursery situated close to Kununurra. The proprietor of this nursery has had continuous experience over the past 11 years in successfully raising seedlings of both sandalwood and host species and has regularly raised seedlings that meet Tropical Forestry Services' stringent specifications.

The Tropical Forestry Services' nursery is run by a highly experienced Nursery Manager who has the particular skills and experience necessary for propagating seedlings of sandalwood and its hosts.

Site Preparation

The correct preparation of the land is paramount to the success of the plantation. The land is first laser-levelled to give it a uniform slope for irrigation and drainage that ensures steady flows of water along the irrigation/drainage furrows without causing soil erosion. It is then deep ripped to a depth of between 50 cm and 70 cm to eliminate the compaction that has developed over the years from the frequent cultivation associated with agricultural cropping. The land is then cultivated and formed into raised beds at 1.83 metre centres. The Responsible Entity has now adopted a policy of minimum cultivation in keeping with modern agricultural practice, and has reduced the number of cultivations in preparation of the land for planting to three or four. Previously it was up to ten passes.

Planting Pattern

Only every second or two out of three raised beds are planted with tree seedlings. The intervening bed is left unplanted to provide tractor access within the plantation. The tree seedlings are planted so that each one or two rows of sandalwood seedlings alternates with a row of long-term hosts. Short term hosts, which are planted in the same row as the sandalwood and within a metre of the sandalwood seedling, support the sandalwood plants until they are able to develop root unions with the long-term hosts.

Long-term hosts are those that survive for the life of the plantation. Short-term hosts are planted very close to the sandalwood seedlings to provide them sustenance

before they can make root unions with the long-term hosts. Short-term hosts are short-lived and have served their purpose by the time the plantation is three to four years old.

Tree Density – The Number of Seedlings Planted

The number of seedlings planted on each hectare of plantation is calculated from the number of trees the site can support when the trees are 14 years old and ready for the final harvest. This figure has been determined from measurements and experience with other tropical tree crops and is specified in terms of the maximum basal area. The basal area of a crop of sandalwood trees and their hosts is the sum of the cross-sectional area at 20 centimetres above ground of all the trees growing on one hectare. The maximum basal area to be aimed at is 37.5 square metres per hectare. Half of this basal area is contributed by sandalwood and half by the host species.

The expected average basal diameter (at 20 cm above ground) of all the trees is 24 centimetres, and the corresponding basal area is 0.04524 square metres per tree. This equates to a density of approximately 830 trees per hectare of which approximately half are sandalwood and remainder are host species.

The numbers of sandalwood seedlings to be planted on each hectare will vary from site to site and will be based on past experience. The critical factor is that enough seedlings should survive to provide a crop of approximately 420 sandalwood trees per hectare. Numbers of short-term hosts are generally the same as the number of sandalwood seedlings that are planted.

Long-term hosts may vary from a 1:1 ratio to a 0.7:1 ratio with the sandalwood seedlings depending on the species and vigour of the long term hosts that are planted.

The Planting Operation

Planting is carried out during the coolest part of the year in order to minimise stress to the newly planted seedlings. Planting may commence as early as the first week in May and will generally be completed well before September when temperatures begin to rise. The planting season may be extended into October where trickle irrigation has been established.

Planting is carried out by hand, using a spade to plant the sandalwood seedlings which are in much larger containers than the host species. Host seedlings are planted using a standard type of planting stick called a “Pottiputki”; this is a very fast and efficient way of getting seedlings into the ground and is widely used in forestry plantation work.

Newly planted areas are watered by furrow irrigation within a few hours of planting. Where trickle irrigation has been established newly planted seedlings can be watered in less than an hour after planting.

Managing The Plantation

Irrigation

The plantation will be irrigated during every dry season throughout its life in order to maximise growth rates and yield. For the first dry season after planting, the

seedlings will be irrigated every 7 to 10 days. Over subsequent dry seasons, as the tree roots are able to tap deeper levels in the soil, this cycle will be extended slowly to one irrigation every 6 to 7 weeks when the plantation is 5 years old and beyond. The precise time to apply water in plantations more than a year old is determined by monitoring soil moisture levels.

All newly planted compartments have PVC access tubes installed to a depth of 1.5 to 2 metres into which a “Diviner 2000” moisture probe is inserted periodically and moisture levels are measured as a guide to when irrigation is necessary in the second and subsequent years after planting. When soil moisture reaches a predetermined low level within a plantation, irrigation water is applied.

The irrigation method will be varied according to the characteristics of the plantation site. Furrow irrigation is the traditional method in the ORIA, however it is wasteful of water. In suitable areas trickle irrigation will be installed and used for the first few years of the life of the plantation. When the frequency of irrigation extends to intervals of several weeks, furrow irrigation will be reverted to.

Plantations at Kingston Rest are likely to be trickle-irrigated throughout their life.

Weed Control

The complete control of weeds during the early life of the plantation is critical to seedling survival and to producing vigorous growth in the first year after planting.

Weed growth within trees rows is controlled by a combination of hoeing and spot spraying herbicide from a shrouded sprayer.

In the second and subsequent years after planting, weeds are kept under control in the tractor access rows by spraying with a safe herbicide and by mechanical slashing.

Weed spraying with a herbicide is done periodically also to control weeds in the tree rows once all the tree species have developed a thick bark that is impenetrable to the herbicide spray.

Pruning the Sandalwood Trees

The valuable heartwood and oil in the sandalwood tree are located in the lower 2.5 metres of the bole (trunk) of the tree under plantation conditions. In order to maximise the growth of this valuable part of the tree, the trees are pruned to develop a bole that is free of branches to this height.

Sandalwood has a tendency to develop in the form of a bush when the tree is young. In older trees the lower branches are shed as the canopy closes and they become heavily shaded. This self pruning will not happen in the relatively short growing period of 14 years planned for this project. In order to develop a branch-free lower bole it is necessary to manually remove the lower branches by pruning. If the lower branches are left, growth that could be accruing on the extremely valuable lower bole will be dissipated among the branches that are of much inferior value.

Pruning is carried out over a two to three year period, commencing in the first year of the plantation, and it results in an approximate 2.5 metre length of branch-free lower bole.

Pruning the Host Species

Some of the host species are more vigorous than desirable in their younger stages of growth and it becomes necessary to control them by pruning. This applies specially to the short-term host (*Sesbania formosa*) which is very fast growing to the point where the lower branches up to a height of nearly 2 metres have to be pruned off to prevent them interfering with the growth of the sandalwood seedlings. Some of the more vigorous long-term hosts species are periodically checked by vertical slashing using a mango-hedging machine.

Fertilising

The slower growing long-term host species may be given a band application of a balanced fertiliser in order to boost their growth and that of the adjacent sandalwood trees by transfer of the nutrients via root unions. The optimum frequency of fertiliser application is yet to be determined, but is likely to be every three to four years. These slower growing hosts may also be given extra irrigation water in their early years.

Controlling Pests and Diseases

There have been occasional instances of sandalwood trees being attacked by water-borne fungal pathogens of the genus *Phytophthora*. These infections have been brought under control by allowing the soil to dry out for

a longer period than normal between irrigations, and by applying a specific fungicide that renders the tree resistant to infection for several years.

Indian sandalwood grown in the Ord River Irrigation Area has not been subject to any serious threat from insect pests. Occasional infestations of caterpillars and sap sucking insects have been easily controlled with the application of moderate levels of insecticides. Another moth caterpillar that ring-barks young trees has been observed occasionally on sandalwood but has not proved to be a serious threat. This caterpillar also attacks weak individuals among some of the host trees and may occasionally kill them down to ground level. They subsequently send up new shoots.

Sesbania hosts are partially defoliated on a fairly regular basis by melon beetles and looper caterpillars. To the present the trees have recovered with no treatment.

The *Cathormion umbellatum* long-term hosts are subject to damage by scale insects and white fly. Both are readily controlled using suitable insecticides.

The Responsible Entity maintains control over insect problems by instituting regular inspections of all plantations specifically to check populations of potentially injurious insects. When numbers are found to be building up a spraying programme is initiated.

Maintaining Infrastructures

Access tracks, water supply channels and drains to remove excess water need ongoing maintenance throughout the life of the plantation.

Maintenance operations include the periodic delving of the channels to clear out silt accumulations, the digging out of drains by backhoe and the grading of access tracks. A number of herbicide spray applications are made annually to control weeds growing on these infrastructures.

Estimating The Yield From The Plantation

The development of heartwood in the sandalwood tree has been found to have commenced in most trees by their 5th year, and in some cases it has started earlier. The formation of the heartwood is associated with the development of oil.

Core samples have been taken at 30 cm above ground level from 31 trees in the oldest plantation managed by the Responsible Entity, then in its 6th year. The samples were sent to India for analysis in the laboratories of the Institute of Wood Science and Technology in Bangalore. The results were, in summary:

- ~ 3 trees had yet to start developing heartwood and oil.
- ~ 11 trees had detectable traces of oil.
- ~ 9 trees had between 0.4 percent and 1 percent oil.
- ~ 8 trees had between 1 percent and 2.35 percent oil.

It needs to be understood that at this early age the heartwood and oil will be confined to a narrow strip at the base of the tree and the total amount would be very small indeed. Once initiated, heartwood and oil development continues for the rest of the life of the tree and accelerates with increasing age.

A 14 year old experimental plantation belonging to the Western Australian Forest Products Commission (FPC) was recently sampled for the presence of oil in the trees, and for the quality of the oil. The results have been published by the FPC as a "Sandalwood Information Sheet".

The average oil content in the heartwood in the lower part of the bole of the 20 trees sampled was 3.15 percent, which is a commercially acceptable level.

Oil quality is judged on the percentage of alpha- and beta-santalols it contains; these two components of the oil provide the sought after scent. The average figures for oil extracted from the sample trees were 44.7 to 46.7 percent alpha santalol, and 20.8 to 22.8 percent beta santalol. These levels meet current the International Standards Organisation standard (ISO/DFIS 3518) for Santalum album oil which are 41 to 55 percent alpha santalol and 16 to 24 percent beta santalol.

These figures are indicative of the high quality of oil that can be expected from trees grown in this project.

The estimates of heartwood yield from the proposed plantation are based largely on data derived from the Forest Product Commission's 14 year old experimental plantation. However, that plantation is growing on a site that is likely to have intrusions of Walyara Clay, an unproductive soil type. Yields are therefore likely to be less than on areas of pure Cununurra Clays. Yield estimates for this project, based on these measurements, may be conservative as a result.

Harvesting The Crop

The Responsible Entity proposes to remove 20 percent of the trees as a thinning at age 13 years, and to remove the other 80 percent as a final harvest in the following year when the trees will be 14 years old.

Due to a significant portion (18 percent or more) of the heartwood occurring in the butt and larger roots of the tree, it will be necessary to remove the entire tree, including the larger roots, out of the ground at harvest in order to maximise the yield of the valuable products. The discussion on yield estimates includes heartwood from this source.

The thinning at age 13 years is estimated to consist of approximately 85 trees per hectare averaging just under 25 kilograms of heartwood in each tree, and giving a total yield of approximately 2.2 tonnes of heartwood per hectare.

The final harvest at age 14 is estimated to consist of approximately 340 trees per hectare averaging 27.5 kilograms of heartwood in each tree, and totalling approximately 9.5 tonnes of heartwood per hectare.

The above estimates are dependent on the assumption that the survival of the number of trees is as stated, and that heartwood development continues at the rate observed in samples taken from 5 year old and 14 year old trees.

Each subscriber to the project is to be given the option of pooling the produce from their timber lots with those of other subscribers at harvest time. The Consultant believes this to be an excellent option.

Staff And Management

The resident staff team at Kununurra comprises a number of Managers and a Senior Forester who are directly responsible to the General Manager, Forestry Operations who also resides in Kununurra. The management team encompasses a very wide range of skills and experience relevant to the establishment and maintenance of Indian sandalwood plantations which includes professional forestry, nursery management, agronomy and agricultural plant and machinery management. The management team is supported by an agronomist, a number of forestry graduates, and by experienced field foresters, agriculturists, and machine and plant operators.

In my opinion the Kununurra staff have proven themselves as more than adequate to run a large sandalwood project successfully.

Risks And Risk Management

Climatic Risks

The Kununurra area lies within the climatic zone of Australia that is liable to experience tropical cyclones. However, the Western Australian Bureau of Meteorology records indicate that the coast to the north of Kununurra experiences relatively few cyclones compare to areas further east and further west. In practice, the plantation area is situated far enough inland not to experience the full force of a cyclone which has generally declined to the status of a rain-bearing depression by the time it reaches Kununurra. Of more concern are the thunderstorms accompanied by strong winds that are associated with

the break of the wet season. These events are short-lived but violent and can result in the tops being snapped off young sandalwood trees at the edge of the plantation. To avoid this situation the Responsible Entity follows a policy of planting a windbreak of host species on the more exposed edges of the plantations.

Fire

The Kimberley Region experiences grass fires in the natural savannah woodlands of the area on an almost annual basis. Such fires rarely penetrate the irrigated farms and are equally unlikely to enter a well managed, irrigated sandalwood plantation. However shortly after the end of the wet season, the vigorous growth of weeds that develops in the younger plantations at that season starts to dry out and become a fire hazard. It is removed as soon as possible by slashing and mulching to incorporate the flammable material into the soil, but there remains a period during which these plantations are at risk of fire.

Plantation staff are equipped with light duty fire-fighting equipment which can be mounted on the tray of a utility vehicle very quickly. Staff also receive training in fire prevention and fire fighting. Volunteer Bushfire Brigades are active on both Packsaddle and Ivanhoe Plains farming areas and are prepared to assist in controlling any plantation fires. This service is reciprocated by Tropical Forestry Services staff who are made available to assist in fire control on farms.

Tropical Forestry Services has recently invested in an 800 litre water bucket which can be attached to a helicopter for water bombing fires. Suitable helicopters

are available within a few kilometres of the ORIA plantations and dams are accessible to supply water in close proximity to the plantations. The bucket is refilled very rapidly after discharge without the helicopter having to land.

Disease

Mention has been made in a previous section of this report of the risk of introducing water-borne fungal pathogens, particularly *Phytophthora* in an irrigated plantation. This risk will be minimised by the conservative applications of water based on soil moisture monitoring, and by the aerial application of a suitable fungicide as a prophylactic measure in the more susceptible areas.

Examples have occurred recently of mortalities among one of the long term host species *Cassia siamea* in the oldest plantation in the area, caused by the pathogenic fungus *Botryosphaeria*. The infections are restricted to small groups of trees and sometimes to individuals. It is unlikely that *Cassia siamea* will be used as a host in the 2008 plantings.

Rising Groundwater

In common with irrigation schemes world-wide, the Ord River Irrigation Area is experiencing rising water tables caused through leakage from water supply channels and through the excessive use of water on some crops. The rises are regularly monitored by the West Australian Waters and Rivers Commission and are far from uniform over the area.

The historically recorded rises of the water table in the area of the proposed plantation have been moderate,

and the water table remains at around 2 metres below the soil surface. The latest Water and Rivers Commission report on the hydrogeology of the ORIA indicates that areas near the Ord River on the Ivanhoe Plain experience a natural drainage towards the river which prevents the water table from rising too close to the soil surface, and this is likely to apply to the plantation project. In the event of exceptional accessions to the water table, by a succession of unusually heavy wet seasons for example, the Ord Irrigation Cooperative have deep bores already drilled that can be used to pump out groundwater. This has been done on a trial basis and has proven successful.

Based on evidence from hydrological studies on an African mahogany plantation in the ORIA which has not been irrigated for several years and which has experienced a dramatic drop in the water table due to high water use by the tree crop, it seems likely that sandalwood plantations will also lower the water table in their immediate vicinity as they develop and completely occupy the plantation site.

Other Risks

Although individual trees and sizeable trial plots of Indian sandalwood have been grown on the ORIA since the early 1980s, it is only recently that an experimental plantation has been grown to harvesting age. Forecasts of growth and yield are based on this single plantation and on the extrapolation of growth rates and characteristics of other individual and small groups of trees growing in the area, and are backed by the extensive scientific literature on Indian sandalwood which is largely based on trees growing in natural forests.

All the technology to be applied to this project has been developed and extensively tested locally over a period of more than 20 years. It has been proven also by 9 years of establishing and managing plantations on a commercial scale. The Consultant has been closely involved in these development stages and regards the techniques and protocols that have been developed and which are to be adopted for this plantation project to be robust and reliable.

Environmental And Social Considerations

Sandalwood plantations, in addition to their probable contribution to the lowering of the water table, will benefit the Ord River Irrigation Area in a number of environmentally positive ways. The man-made sandalwood forests will provide a new habitat for forest-inhabiting birds and animals. Forests are not very widespread in the arid climate of the East Kimberley Region, and are largely confined to the fringes of watercourses and to sheltered and well watered gorges where patches of remnant rain forests still occur. Both of these forest types have been much reduced in area through cattle grazing and burning following European settlement.

The plantations will provide some visual diversity and relief in the flat, treeless landscape of the farming area. They will also contribute fewer pesticide and fertiliser residues to the local river systems than conventional farming due to the benign management practices using minimal chemical applications in tree plantation silviculture.

The Responsible Entity has established a water recycling system on its major plantation area on the Packsaddle Plain. Due to the system of irrigation that has to be used in these very clayey soils, approximately half the water applied to the plantation as irrigation is drained off and returned to the Ord River, complete with silt, chemicals and fertilisers it may have collected as it runs through irrigation furrows. The Responsible Entity now collects these tailing waters, pumps them back into the property and uses them to irrigate other plantations. They will determine at a later date whether a similar system is possible with the 2008 plantings.

Socially the plantations will provide a greater level of year-round work, compared to the highly seasonal employment offered by farming in the area. At the same time they provide a substantial injection of funds into the local economy through the payment of wages and the purchase of goods and services.

Disclaimer

Kimber Environment Services has prepared this report to bring to the attention of potential subscribers to the project an overview of the activities and operations to achieve a successful outcome, and to bring to their attention any risks that may arise in undertaking the project. This report does not comment, and does not purport to make comment on the financial, taxation and product marketing aspects of the project.

Kimber Environment Services gives no assurance or guarantee that the proposed plantation regime and its outcomes will be as predicted.



Peter C. Kimber, BSc (Hons. Forestry), M.I.F.A.

Kimber Environment Services

30th July 2007





TFS has the largest purpose built Indian Sandalwood nursery in the world.

8.2 EXPERT SANDALWOOD MARKETING REPORT

H.S. Anantha Padmanabha

Forestry Consultant
#31, AMBIKA, BSK 3rd Stage
Bangalore-560085, INDIA

Dear Sirs,

Market Report On Sandalwood

This report has been prepared for the inclusion in a Product Disclosure Statement ('PDS') to be issued by TFS Properties Ltd for the TFS Sandalwood Project 2008.

I am a qualified scientist with over 35 years experience in forestry in India. I was a senior scientist at the Institute of Wood Science and Technology in Bangalore (India) from 1964 to 1998 and I was responsible for guiding research projects on sandalwood, including but not limited to techniques of growing sandalwood and disease and pests affecting sandalwood. I have co-authored books on sandalwood and have published over 125 publications in both Indian and International Journals. From 1994 to 1998 I was designated Chief Technical Advisor for sandalwood projects with the World Bank FREE project (ICFRE) in India. I am currently a Director of Karnataka Research Foundation and Advances Science Technology Transfer in Bangalore, and a consultant to Karnataka Soaps and Detergents Ltd, Bangalore, a major long-term buyer of sandalwood who manufactures sandalwood oil, billets and Mysore

Sandal Soap. I have been attending sandalwood auctions to assess and buy quality sandalwood for over 9 years.

I am a suitably qualified person to provide information on sandalwood markets and prices both past and present, whilst being well placed to consider trends into the future.

I have no financial interest in TFS, with my financial arrangements limited to the provision of this report and some other general consultancy work.

Sandalwood - A Valuable Commodity

Sandalwood and its oil has been one of the most valuable and wanted perfumery materials in the world from the earliest times of civilisation. Powder of Indian sandalwood (*Santalum album*) heartwood, upon distillation, yields what is known as 'East Indian Sandalwood Oil' which is highly rated for its fixative properties and for its persistent, heavy, sweet, woody scents. A good fixative agent, it will also bind other odour molecules to it and impart its characteristic properties on them.

Indian sandalwood fetches the highest export price of any Indian forest product.

Habitat And Properties

Occurrence

Apart from India, *Santalum album* can be found in Indonesia, New Caledonia, Fiji Islands, Philippine

Islands and the Northern Territory of Australia.

In India, sandalwood is found throughout the length and breadth of the country but particularly in South India, where the states of Karnataka and Tamil Nadu account for nearly 80 percent of the total Indian resource.

Heartwood Formation

The Indian sandalwood tree is harvested for its heartwood, which is rich in fragrant oil. The heartwood is found in the centre of the roots, trunk and major branches and is surrounded by sapwood. The formation and development of heartwood is dependent on age, growth, soil and ground moisture; and genetic factors also seem to play an important role.

I have considered the TFS Plantation Management Plans, and have reviewed the TFS plantations in April 2005. I am of the opinion that the forecast of average yield of 27.5kg of heartwood per Sandalwood tree is achievable in the plantation time frame.

The heartwood is described as astringent, bitter, antipyretic, moderately hard, heavy, durable, slow seasoning, pleasantly and strongly scented, yellow or brown in appearance, even textured (straight, close grains and uniform fibres) with an oily feel and almost free from knots. Once harvested, a sandalwood tree will need to be seasoned - that is stored - for six months or greater to provide for moisture loss. Moisture should be removed naturally rather than through heating, and hence the longer the storage, the better the natural, gradual moisture removal.

Colour of heartwood and oil content

In trade, superiority of wood is generally judged on the basis of colour and the portion of the tree from which it is taken. Sandalwood's heartwood ranges in colour from light yellow to dark chestnut brown, with merchants preferring the light brown to yellow colour.

Colour of wood	Oil (%)	Santalol* (%)
Yellow	2.7-3.5	90
Light brown	2.5-6.0	85 -90
Brown	About 2.5	Less than 85
Dark Brown	Less than 2.5	75 - 85

*Alcohol contained within sandalwood oil.

The price of wood will be affected both by colour and the oil content, which in turn are interrelated. Wood with higher oil content will receive a greater sale price than that with lower oil content.

I have viewed the TFS plantations, and have had analysed trees at the age of 3 years for oil, and can confirm that analyses have proven the presence of oil within those trees - earlier than would normally be found in a natural environment in India.

In April 2005 I also received from TFS core samples from 31 six year old Indian Sandalwood trees from their 1999 plantings. These were analysed at the Institute of Wood Science in Bangalore and returned very good oil yield results considering the age of the trees. In 4 cases the oil yield was over 2% which is exceptional for trees of that age. Seventeen of the samples had 0.5% oil content or better. In all but three cases evidence of

oil was detected. These results auger well for the future of the Indian Sandalwood industry in the ORIA ,as in India as such consistent oil indications would not be expected in trees so young.

Heartwood is contained within the trunk, butt, roots and major branches. The oil content in the butt and the roots is slightly more than in the trunk and the branches. It is said that one tonne of good sandalwood roots and butt will yield 55 to 60kgs of oil; whereas the branches would yield a lower percentage of oil. Within the tree there will be slight progressive reduction in the oil content from roots to butts to stem and ultimately to the branches.

Demand For Sandalwood

The demand for Sandalwood is centred on a number of markets in India and around the world.

The majority of wood is sold for export or for the extraction of sandalwood oil, however the heartwood is also used for carving and religious uses. Other products from the tree are also sold into a variety of markets in India and internationally.

Fine Fragrance

Powdered heartwood upon distillation yields East Indian sandalwood oil, which is a highly priced raw material in the perfumery industry. In perfumery, it is valued for its non-varying composition and fixative properties and for its persistent heavy sweet, woody scent.

It is estimated that at least 200 tonnes (which would require approximately 6,400 tonnes of plantation-grown

heartwood for extraction) of Indian Sandalwood oil is required to meet the annual demand from the global fragrance, cosmetics and aromatherapy industries. Due to the limited supply of Indian Sandalwood, the current consumption of the global fragrance, cosmetics and aromatherapy industries is much lower than this demand.

Current exports of Indian Sandalwood oil are estimated to be around 40,000kg (40 tonnes) of oil per annum (which would require approximately 1,300 tonnes of plantation-grown heartwood for extraction), mainly to France, the USA, the UK and the Middle East. Indian Sandalwood oil achieves a premium price of A\$2,200 per kilogram in these export markets, compared to a figure of A\$1,900 per kilogram in Indian markets.

The amount of oil exported today is much lower than 1970 when India officially exported over 100 tonnes of Indian Sandalwood oil (illegal quantities may have been much higher) mainly for use in the global fragrance and cosmetics industries. It is expected that if greater supply of Indian Sandalwood oil is available from plantation sources the global fragrance, cosmetic and aromatherapy markets will use more Indian Sandalwood oil, driven by consumers in Asia and Europe who are becoming increasingly conscious and demanding of the use of only natural ingredients.

Attars

The production of attars consumes around 60% of India's annual supply of Indian Sandalwood oil. This is a traditional Indian industry whereby natural Sandalwood oil and flower oil are blended through a process of distillation.

The strong demand for Sandalwood oil-based fragrances in the chewing tobacco and pan masala (mouth fresheners) industries has resulted in 90% of the attars produced being consumed by these industries. When greater volumes are available from plantation sources the demand for natural fragrances and growing wealth of Indian consumers may again stimulate the use of attars as a personal fragrance.

Betel Nut (Pan masala, mouth fresheners)

Chewing flavoured betel nut (pan masala) is extremely popular in India where the pan masala industry has grown at a rate of 25 – 30% per annum over the last 30 years. Sandalwood oil is a popular ingredient in pan masala, used to add flavour and fragrance to the product.

It is estimated that the manufacture of pan masala consumes around 60 tonnes of Sandalwood oil (which would require approximately 2,000 tonnes of plantation-grown heartwood for extraction) each year. This market is expected to continue to grow over the next 5 years.

Chewing Tobacco

Chewing tobacco also remains a major market for Sandalwood oil in India, Southern Asia and the Middle East. Chewing tobacco is consumed by up to 20% of the population in these regions.

It is claimed that this industry alone requires more than 60 tonnes of oil (which would require approximately 2,000 tonnes of plantation-grown heartwood for extraction) annually and is fast growing. The demand

for sandalwood in scented tobacco can be expected to triple over the next five years.

Due to shortages in supply some attar, pan masala and chewing tobacco companies are forced to use the oil from inferior Sandalwood species or fragrant woods to make up the 120 tonnes of oil used by the chewing tobacco and pan masala industries. Many of these companies report that they would buy Indian Sandalwood oil if available due to its higher quality and more effective properties.

Due to the short supply of natural oil, some industries making incense sticks and pan masala (scented chewing tobacco) have also switched over to synthetics, unmindful of the harmful effects to human beings. There remains the possibility, however, that the government will regulate the use of harmful synthetics in the future.

Soaps and Toiletries

The good fixative properties of Sandalwood oil are due to its high boiling fragrant constituents and santalols (which have a high boiling range). The oil is used extensively in the cosmetics industry in the manufacture of soaps, face creams, toilet powders and air fresheners.

Between 10 and 15 percent of the total Indian Sandalwood oil produced is used in the manufacture of soaps and toiletry products. Resinoids, a product extracted in low concentrations from “spent powder”, is also a valuable ingredient valued at A \$100,000 per tonne, and is used in the production of soaps and toiletries.

Carving and Religious Uses

Sandalwood is one of the finest woods for carving and turning to intricate workmanship. Sandalwood is used for carving idols and utility items like furniture, jewel boxes, cabinet panels, chess boards, pen holders, paper weights, picture frames, caskets, wall plaques and other curios.

It is estimated that around 800 tonnes of heartwood is consumed by India’s carving industry. Demand for Sandalwood carvings is increasing in India and internationally. It is expected that China will be a major market for finished Sandalwood carvings and for heartwood suitable for carvings.

Heartwood logs suitable for carving achieve premium prices of over A\$100,000 per tonne for use in the international carving market.

Sandalwood has many important cultural uses. Sandalwood paste is smeared on the forehead during puja (prayer) and the paste is mixed with water and given as thirth (prasad). Sandalwood chips are burned in Yajna to carry scented fumes to ‘God’. Sandalwood is used in the funeral pyre in Hindu culture.

Incense Sticks

Powdered heartwood from which the oil has been extracted is known as “spent charge” and is used in the manufacture of incense sticks, which are burned during religious ceremonies and for meditation. Incense has cultural and religious significance in Asia where it is burnt by millions of people as part of daily religious ritual, amounting to billions of sticks burned each year.

It is estimated that 5,000 tonnes of spent charge and sapwood (white chips) that is removed from the heartwood is currently used within the Indian incense market alone, with the demand for spent charge exceeding the current supply.

Spent charge is a highly saleable commodity, valued at A\$3,500 per tonne, while sapwood achieves prices of up to A\$2,500 per tonne.

Medicinal and therapeutic use

Medicinally, sandalwood is used as an antiseptic, antipyretic, diuretic, and expectorant stimulant and for treatment of bronchitis, gonorrhoea and urinary infections. Sandalwood is an important ingredient in Indian Ayrvedic medicine and Traditional Chinese Medicine, both of which are gaining popularity in western cultures. Newspaper reports suggest that the global market for medicinal plants is expected to grow to over \$5-trillion by 2050.

Harvest Of Sandalwood In India

In India, the proportion of wood harvested officially is small in proportion to that illegally harvested. As the wood has become increasingly valuable the amount of wood illegally harvested has grown and this has in turn necessitated a reduction by government of its annual harvest due to concerns over sustainability.

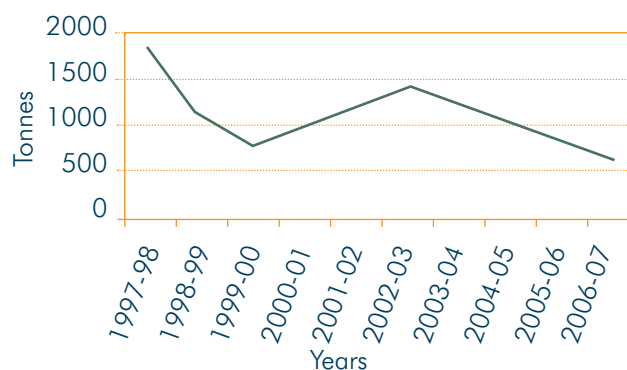
Unfortunately, in the period since 1970 when the official government harvest was around 5,000 tonnes per annum, the harvest has dwindled to a current level of a mere 600 tonnes per annum.

However, it is estimated that the annual harvest of sandalwood is currently approximately 3,200 tonnes per annum. The difference between the government harvest and the estimated annual harvest is that which is illegally harvested of approximately 2,600 tonnes.

The size of the illegal harvest is difficult to prove. However newspaper reports describe harvests of this size, and greater. Further there are some 20 to 30 sandalwood oil distilleries throughout India, including areas where sandalwood trees are not found. The State Governments of Kerala and Maharastra have recently closed their sandalwood distilleries. I have visited many of these distilleries and have checked their capacities and production. I can confirm the figures total much greater than the quantity of official wood harvest.

Grave concerns are held over the sustainability of current sandalwood harvests unless the illegal harvesting can be restricted. Sandalwood is on the endangered list in India, but there has been little effort to encourage further growth.

Annual Government Sandalwood Harvest, India



Consumption of Sandalwood in India

Sandalwood based industries require more than 5,000 tonnes of Sandalwood and its products. The requirement for plantation-grown wood would be much higher due to the lower oil yield of plantation-grown wood.

Due to high domestic demand and less supply, merchants have compromised with the alternate material from Australia, Africa, West Indies and other countries. The import of substitutes was more than 3,000 tonnes up to mid 2006. By adding Indian and imported Sandalwood the quantity of wood must have crossed over 6,000 to 7,000 tonnes however the superior qualities of Indian Sandalwood (*Santalum album*) make it the preferred ingredient.

Production Of Sandalwood Oil In India

India is maintaining the international quality of oil to 'Agmark' standard (Ag representing agriculture, mark representing the standard) and has a monopoly on world trade. Due to the decline in the official government harvest, the official production of oil has also declined.

During 1958 to 1970 India was officially producing nearly 180 to 200 tonnes of oil, with the total production (legal and illegal oil) estimated to be as high as 250 tonnes, meeting 90 percent of the world demand. Official production has fallen over the years and since 2004 has remained at a low level of 25 tonnes per annum.

It is estimated that the current production of oil is approximately 120 tonnes (which would require

approximately 4,300 tonnes of plantation-grown heartwood for extraction), this is approximately 4 times the official harvest. The actual demand for Indian Sandalwood oil is much larger than the current production levels.

Apart from India, *Santalum album* is found in Indonesia, Australia, Philippine Islands and Sri Lanka. Indian contribution to the world market is around 95 percent, Indonesia contributes about 2-3 percent and the rest would barely contribute 2 percent.

Rate Of Depletion Of World Resource

The rate of depletion of India's sandalwood resource is very rapid and is as a result of illicit felling, biotic interferences (such as fire, grazing, browsing and hacking) and spike disease.

The level of annual government harvest illustrates the depletion of the resource, which has been in decline over the past 13 years.

Efforts have increased to raise new plantations, with the State Government amending ownership laws to vest ownership with the plantation owner. However the Government has retained control of when the trees can be harvested, and as sandalwood offences are non-bailable the public remain cautious. The public is yet to come forward to grow sandalwood plantations to meet the demand. If they were to commence it, it will take at least another 20 years to reap the harvest. In Indonesia there has been a sharp decline in the production of sandalwood over the

past 12 years and it is estimated that there may not be any production in the current year because of a logging ban. To prevent collapse of the established industries they may have to import wood from Australia or India.

While some Indian industries have begun importing inferior substitutes, exploitation of these resources may result in depletion. Already the long-term supply of *Osyris* from Tanzania and Kenya, is threatened and government regulations have been implemented in these countries to slow the deforestation.

Export Of Sandalwood From India

The Government of India controls the export of sandalwood and oil. Increasing domestic consumption of Sandalwood in India has reduced the quantity of oil and wood available for export.

At present the bulk of sandalwood material comes from Tamil Nadu State in India. The quantity of wood auctioned every year depends on the extracted stock position. The sale of sandalwood in 2006 was reduced to 600 tonnes from 1,400 tonnes in 2003. The Tamil Nadu Forest Department has no stock of unfinished wood with which to hold regular auctions. The Indian buyers either use it for the distillation of oil or export both wood and oil to different countries after obtaining permits.

India will not be in a position to regularly produce these quantities of wood annually beyond 3 to 4 years.

The major export markets for Indian Sandalwood

wood and oil are France, Taiwan, Hong Kong, Japan, Malaysia, Singapore, Dubai, South Africa, the UK and the USA, with the UK and the USA accounting for approximately 75 percent of all export sales. It is estimated that around 40,000 kgs (which would require around 1,250 tonnes of plantation-grown heartwood for extraction) of Indian Sandalwood oil is exported from India each year to Europe, Asia the Middle East and the USA, with most of this amount exported using incorrect tariff codes to avoid government restrictions

The demand for Indian Sandalwood oil is predicted to be much higher than the current levels of consumption in export markets. International demand for Sandalwood oil is growing as an ingredient in the traditional markets of perfumes, soaps and toiletries, but also within new markets such as pharmaceutical applications, aromatherapy and natural cosmetics.

Marketing Trends

Indian Price Trends

From 1990 to 2006, the sale price of sandalwood in India has increased from A\$5,100 per tonne to A\$101,569 per tonne. This rise in sale price, which has become a trend over the past few years, is due to increased demand for sandalwood and its oil. It is likely that this trend will continue due to dwindling supplies. I am of the opinion that price rises which we have seen in recent years are unsustainable in the long term. Taking a very conservative approach to the price trend, an annual price increase of at least 5 percent per annum is achievable and sustainable into the foreseeable future.

Price Trend	(Average)
1990 - 1991	A\$ 5,100
1991 - 1992	A\$ 7,600
1993 - 1995	A\$ 9,500
1996 - 1997	A\$17,500
1998 - 1999	A\$22,200
1999 - 2000	A\$22,000
2000 - 2001	A\$30,900
2001 - 2002	A\$36,800
2002 - 2003	A\$54,600
2003 - 2004	A\$58,700
2003 - 2004	A\$58,300
Jan - 2005	A\$85,300
July - 2005	A\$93,200
April - 2006	A\$105,451
Nov - 2006	A\$101,569
*April - 2007	A\$98,390

* this decrease in price reflects the sale of lower quality categories of wood

International Price Trends

Prices in the regulated Indian market are lower than the prices achieved in the international market. Currently sandalwood is sold to other countries on average at A\$110,000 per tonne. Similarly the price of Indian Sandalwood oil is around A\$2,200 per kilogram on the international market.

Information On The Current Demand

Evidence suggests that the current demand for Indian Sandalwood is much higher than the current consumption levels due to declining supply from India. It is estimated that the global demand for Indian Sandalwood is well in excess of 8,000 tonnes per annum.

In India alone the demand for Sandalwood is estimated to be 5,000 tonnes per annum to satisfy the multitude of domestic Sandalwood markets. Consumption of Indian Sandalwood (*Santalum album*) in India has fallen below 5,000 tonnes due to decreasing supply, deforestation and the lack of a sustainable plantation industry.

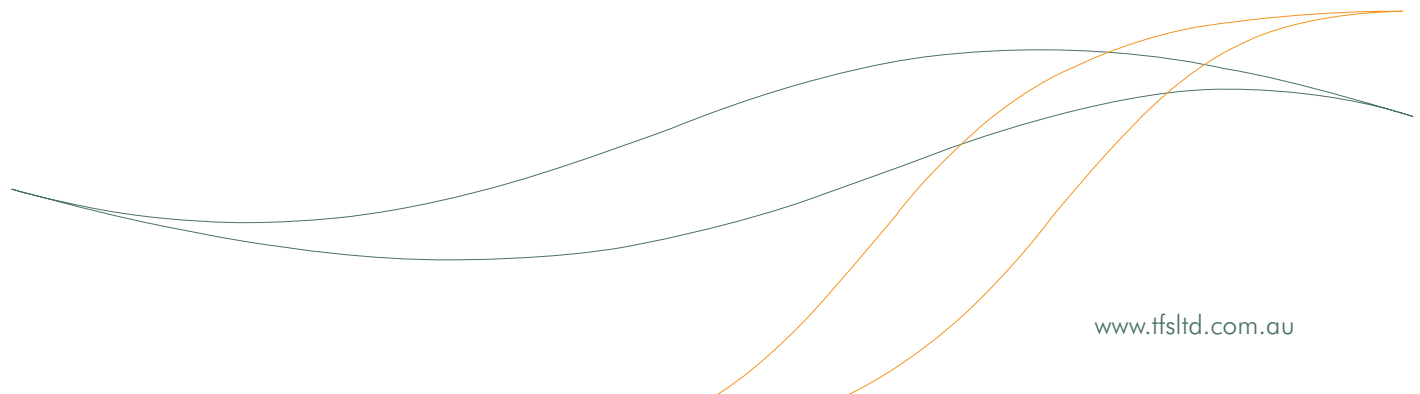
Indian essential oil and allied industries currently consume about 800 tonnes of wood and 80 tonnes of

oil. Assuming a conversion rate of 5 percent of wood to oil, the total annual consumption within India is 2,400 tonnes (which would require approximately 3,400 tonnes of plantation-grown heartwood to satisfy this consumption).

While current exports of Indian Sandalwood oil total 40,000 kgs (which would require approximately 1,300 tonnes of plantation-grown heartwood for extraction), the actual demand for Indian Sandalwood oil is thought to be much higher, particularly within the global fragrance industry where demand is estimated to be at least 200 tonnes (which would require approximately 6,400 tonnes of plantation-grown heartwood for extraction). It is expected that Indian Sandalwood oil extracted from a sustainable supply of plantation-grown heartwood would be readily accepted into this market.

The supply is declining and the demand is increasing in both domestic and international markets for wood and oil. This gap between the supply and demand is expected to continue to cause ongoing price increases.

It may not be possible to meet the growing demand of this natural essential oil if new plantations with suitable management practices are not raised elsewhere.



Future Demand

Demand for Sandalwood is growing both in Indian and internationally.

Due to the progress in developed and developing nations there is a shift towards the use of natural products and quality products. The habitual users can differentiate between the natural and the synthetic stuffs; the synthetic products give the odour at the time of consumption and do not last long, whereas the natural oil gives long lasting effects which are very much sought after.

There is increasing demand for Sandalwood in India, China and Taiwan, and with the increasing affluence of China, it is anticipated that China might once again become a major importer of sandalwood.

Due to the lower oil content of plantation-grown trees at age 12-13 years, heartwood and growth in demand in the global cosmetics, fragrance and toiletries market, plus the Indian, Chinese and Taiwanese markets, it seems likely that demand for Indian Sandalwood is thought to be between 8000 to 9000 tonnes of heartwood per annum or 12,000 to 13,000 tonnes of plantation-grown heartwood, and growing.

While limited supply has reduced consumption, the factors affecting demand such as the reduced supply of substitute woods, consumer shifts to natural products and growing affluence in India and China suggest that demand for Indian Sandalwood will continue to grow.

Effect of Wood Production from Australian Plantation Producers

I have also been asked to consider the issue as to the ability of the Australian sandalwood plantation to enter the market place for sandalwood, and the potential impact on prices with their entry.

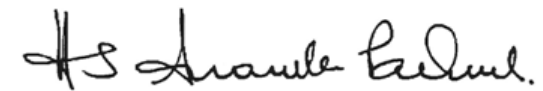
It is important to note that due to the lower oil content of plantation-grown wood (due to reduction in harvesting period), there is a greater requirement of plantation-grown heartwood than heartwood grown in the wild. For example 2,400 tonnes of heartwood grown in the wild would be required to produce 120 tonnes of oil. Around 4,000 tonnes of plantation-grown heartwood would be required to produce the same amount of oil.

I have considered that perhaps there might be 650 hectares per annum harvested, which would equal approximately 6,500 – 7,500 tonnes of heartwood per annum.

As noted throughout this report I have estimated the market supply as currently at 3,200 tonnes per annum but diminishing, with the global demand estimated to be 8,000 tonnes (equal to around 13,000 tonnes of plantation-grown heartwood) or more, and increasing annually.

As mentioned in my future demand predictions, in my opinion the 6,500 – 7,500 tonnes per annum of sandalwood production from TFS will be easily absorbed into market at that point of time.

It is my opinion that this supply will not affect the long term pricing of sandalwood though there will need to be some marketing efforts made by the Australian producers to maximise their realisable sale. TFS has been very proactive in its marketing efforts to date which has already led to considerable interest from international buyers for TFS-grown Santalum album.



H.S. Anantha Padmanabha

26th October 2007



Sunset at Kingston Rest

9.0 SUMMARY OF MATERIAL AGREEMENTS

This Section contains summaries of the principal terms of material agreements that relate to the Project. The material agreements are:

- (1) the Constitution;
- (2) the Compliance Plan;
- (3) the Lease and Management Agreement;
- (4) the Agreement for Sub-Lease;
- (5) the Plantation Management Agreement; and
- (6) the Head Lease.

The whole of the provisions of these agreements is not repeated in this PDS. Copies of these agreements are available for inspection at the registered office of the Responsible Entity during normal business hours or from the company website under the 'Corporate Governance' section.

9.1 The Constitution

The Constitution establishes and governs the Project, and operates as a deed binding on all of the Growers of the Project and the Responsible Entity. In compliance with the Corporations Act, the Constitution has made adequate provisions for those matters referred to in section 601GA of the Corporations Act.

The Constitution includes provisions to the following effect:

9.1.1 The Responsible Entity

The Responsible Entity is appointed and agrees to act as responsible entity of the Project.

9.1.2 Application Price

To acquire a Sandalwood Lot in the Project and become a Grower an Applicant must pay the applicable Fees (referred to in the Constitution as the 'Application Price'). Refer to Section 2.3 of the PDS for details of Application Fees.

9.1.3 Creating the Funds

The Responsible Entity must create an Application Fund (to hold Application Money) and a Proceeds Fund (to hold the proceeds from the sale of the Forest Produce).

9.1.4 Project Property

All Project Property must be held by the Responsible Entity for the Growers or alternatively by an agent appointed by the Responsible Entity. The property for each Scheme will be kept separate and distinct from the property of any other Scheme.

9.1.5 Complaints

The Responsible Entity must appoint a Complaints Handling Officer to deal with complaints made by Growers. The Responsible Entity must within five Business Days after receiving a complaint from a Grower, write to the complainant either to acknowledge the complaint or respond fully to the complainant in respect of the complaint made.

The Responsible Entity must attempt to respond fully to the complainant within 10 Business Days after the acknowledgement of the complaint is made by the Responsible Entity. If a complaint cannot be resolved to the satisfaction of the complainant then the complainant may proceed under the dispute resolution procedures contained in the Constitution, lodge a complaint with the Financial Industry Complaints Service or take whatever other action is open to the complainant under the general law.

9.1.6 Winding-Up

The Responsible Entity must wind up any Scheme or the Project or cause any Scheme or Project to be wound up in any of the following circumstances:

- (a) on the direction of the Growers in the Scheme or Project in accordance with section 601NB of the Corporations Act;
- (b) if the Responsible Entity considers the purpose of the Scheme or Project has been accomplished or cannot be accomplished in accordance with section 601NC of the Corporations Act;
- (c) a court orders the Scheme or Project to be wound up pursuant to section 601ND of the Corporations Act;
- (d) any of the circumstances set out in section 601NE of the Corporations Act apply such that the Responsible Entity is required to wind up the Scheme or the Project; or
- (e) in any other circumstances provided for under the Corporations Act.

To wind up the Project (or Scheme) the Responsible Entity must convert to money all Project Property, deduct all costs, fees, expenses and other money in accordance with the Constitution and the Corporations Act and then divide the balance amongst Growers according to each Grower's Proportional Interest in the Project (or Scheme).

9.1.7 Fees and Expenses

The Responsible Entity is entitled to be paid, in respect of any Scheme, from Project Property (for that Scheme) those fees provided for in the Constitution and any Lease and Management Agreement by way of remuneration for carrying out its duties and obligations under the Constitution or any Lease and Management Agreement. The Responsible Entity is entitled to be paid in respect of any Scheme, from, or reimbursed from Project Property (for that Scheme) for all costs, charges, expenses and outgoings that are incurred by the Responsible Entity in establishing, administering and/or winding up the Scheme.

9.1.8 Indemnity

The Responsible Entity has a right of indemnity out of the Project Property for any Scheme in respect of any liability incurred by the Responsible Entity in the performance of its duties in respect of the Scheme and all fees payable to and costs recoverable by the Responsible Entity under the Constitution or any Lease and Management Agreement in respect of the Scheme.

9.1.9 No power to borrow

The Responsible Entity does not have power to borrow for the purpose of the project or any scheme.

9.1.10 Application Money

Application Money is to be paid in full at the time of lodging an Application, unless the Responsible Entity exercises its discretion to permit instalment payments of Application Money.

All Application Money is to be paid by Applicants directly to the Responsible Entity who must place that Application Money in the Application Fund. Only when all of the conditions that are required to be satisfied under the Constitution are satisfied can the Application Money be released to the Responsible Entity.

9.1.11 Lease and Management Agreements

The Responsible Entity must prepare a Lease and Management Agreement as soon as practicable after its acceptance of an Application. The Responsible Entity must execute the Lease and Management Agreement or Agreement for Sub-Lease for itself and on behalf of the Applicant pursuant to the power of attorney granted to the Responsible Entity by each Grower upon Application, and ensure that the Head Lessor and Lessor execute the Head Lease.

9.1.12 Releasing Application Money

Prior to releasing any Application Money held by the Responsible Entity, the Responsible Entity must be reasonably satisfied that:

- (a) the Lease and Management Agreement has been duly completed and executed by all parties;
- (b) the Head Lessor is the registered proprietor of all of the land that is to be sub-leased;
- (c) there is an existing lease agreement between the Head Lessor and the Lessor over the land that includes the land that is to be sub-leased;
- (d) the land that is to be sub-leased is not subject to any encumbrance or restriction which detrimentally affects the interests of an Applicant and which is not disclosed in the PDS;
- (e) there are no outstanding material breaches of any of the provisions of the Constitution which detrimentally affects the interests of an Applicant; and
- (f) any minimum subscription which is referred to in the PDS has been obtained.

Upon being satisfied of the matters listed above the Responsible Entity must release the Application Money and apply it in payment of the Fees payable under the Lease and Management Agreement.

9.1.13 Distribution of the Proceeds Fund to Growers

Pursuant to the terms of the Lease and Management Agreement the Responsible Entity must deposit the proceeds from the sale of the Sandalwood into the Proceeds Fund before payment of all relevant fees and expenses and distribution of the remainder to Growers.

9.1.14 Power and Duties

The Responsible Entity must:

- (a) perform the obligations that are imposed on it in the Lease and Management Agreements;

- (b) ensure that all services which are required of it under a Lease and Management Agreement are performed in a proper and efficient manner;
- (c) manage the business, investments and affairs of each Scheme and the Project; and
- (d) ensure any goods or services which are required to be provided or performed under the terms of the Lease and Management Agreement are provided or performed in accordance with any contractual rights of Growers and the terms disclosed in this PDS.

9.1.15 *Limitation of Liability*

To the extent permitted by law the Responsible Entity is not liable for any loss or damage to any person arising out of any matter where, in respect of that matter:

- (a) it relied in good faith on the services of, or information or advice from any person appointed by it;
- (b) it acted as required by any law; or
- (c) it relied in good faith upon any signature, marking or documents.

9.1.16 *Appointment of Agents*

The Responsible Entity may appoint any person to perform any task or carry out any services it thinks fit, but the Responsible Entity is taken to have done (or failed to do) anything that any person appointed by it has done (or failed to do) because of that appointment.

9.1.17 *Transfer and Transmission*

Assignment of interests in the Project is governed by the terms of the Lease and Management Agreement. Clause 21 of the Constitution contains details of certain

administrative and procedural matters relating to assignment. Clause 22 of the Constitution deals with the transmission of the Grower's interests in the event of death, bankruptcy or mental incapacity of a Grower. All matters relating to transfer or transmission should be evidenced in writing.

9.1.18 *Retirement and Removal*

The Responsible Entity may only retire as responsible entity of the Project in accordance with section 601FL of the Corporations Act. The Responsible Entity may only be removed as responsible entity of the Project in accordance with sections 601FM or 601FN of the Corporations Act.

9.1.19 *Register*

The Responsible Entity must keep an up to date register of Growers.

9.1.20 *Meetings*

Meetings of Growers shall be held in accordance with the provisions of Part 2G.4 of the Corporations Act and accordingly;

- (a) at least 21 days notice must be given of a meeting of the members of a registered scheme;
- (b) the nature of the business to be transacted at the meeting must be defined in the Notice;
- (c) special or extraordinary resolutions will be decided on a poll and any other resolution/s will be decided on a show of hands unless a poll is demanded;
- (d) resolutions will be passed on a poll provided that a 50% majority is exceeded; and
- (e) voting may be by Proxy or by attending the meeting.

9.1.21 *Accounts*

At the end of each financial year the Responsible Entity must prepare or cause to be prepared all reports required to be prepared by Part 2M of the Corporations Act and must send copies of those reports to all Growers.

9.1.22 *Modification of Constitution*

Subject to section 601GC of the Corporations Act, the Constitution may be modified by the Responsible Entity or by special resolution of Growers.

9.2. *Compliance Plan*

The Responsible Entity has prepared a Compliance Plan as required by the Corporations Act to ensure that it meets its obligations as the responsible entity of the Project and the rights of Growers are protected.

Part 5C.4 of the Corporations Act states that the compliance plan of a registered scheme must set out adequate measures that a responsible entity is to apply in operating the registered scheme to ensure compliance with the Corporations Act and the constitution of the registered scheme.

The Compliance Plan includes procedures for ensuring that:

- (a) Project Property is clearly identified as Project Property and held separately from the property of the Responsible Entity and property of any other scheme;
- (b) the Compliance Committee functions properly;

- (c) the Project Property is valued at regular intervals appropriate to the nature of the property;
- (d) the Compliance Plan is audited; and
- (e) adequate records of the operations of the Project are kept. It is a requirement of the Corporations Act that the arrangements listed above are specifically dealt with.

In addition the Compliance Plan sets out procedures in relation to:

- (a) the establishment and operations of the Compliance Committee;
- (b) the appointment of a Compliance Officer and the duties of, and reports to be prepared by, the Compliance Officer;
- (c) conduct of business issues, such as procedures in relation to insurance, income collection and distribution, promotion, pricing and distribution of the Project and Project fees and expenses;
- (d) related party issues;
- (e) appointment and monitoring of external service providers;
- (f) the handling of complaints;
- (g) the training, recruitment and experience of staff;
- (h) monitoring compliance with the conditions of the Australian Financial Services Licence held by the Responsible Entity ('Licence');
- (i) reporting breaches of the Corporations Act, the Constitution, industry standards, internal policy or the Licence conditions; and
- (k) continuous disclosure.

Copies of the Compliance Plan are available to any

Grower free of charge by downloading from the company website or upon request to the Company in writing.

9.3 Lease And Management Agreement

The parties to the Lease and Management Agreement are the Responsible Entity in its capacity as the Manager, the Lessor and the relevant Grower. The Lease and Management Agreement is divided into three main parts being:

- (a) sub-lease of the relevant Sandalwood Lot(s) from the Lessor;
- (b) management of the relevant Grower's Sandalwood Lot(s) by the Responsible Entity; and
- (c) general provisions.

The sub-lease section includes provisions to the following effect:

9.3.1 Grant of Sub-Lease

The Lessor grants to the relevant Grower a sub-lease of the relevant Sandalwood Lot(s) together with all improvements and fixtures, subject to any specified encumbrances.

9.3.2 Rent

Rent is \$220 per annum (inclusive of GST) per Sandalwood Lot and is paid annually. As an alternative, each Grower may elect to defer payment of rent and management fees by giving the Responsible Entity a greater share of the Gross Proceeds of Sale. See section 9.3.10.2 for further details.

9.3.3 Grower's Obligations

The relevant Grower's obligations include the following:

- (a) not to use or permit to be used the relevant Sandalwood Lot(s) for any purpose other than that of commercial silviculture of Sandalwood Trees and not to use the relevant Sandalwood Lot(s) for the purpose of permanently or temporarily residing on it or for residential, recreational or tourist purposes;
- (b) at all times to manage, cultivate and work the relevant Sandalwood Lot(s) in a proper and skilful manner and according to generally accepted silvicultural methods, so as to maintain and develop the relevant Sandalwood Lot(s) for the purpose of long term commercial silviculture;
- (c) do all things reasonable to prevent the outbreak or spread of fire upon, from or to the relevant Sandalwood Lot(s);
- (d) comply with all statutes, ordinances, proclamations, orders and regulations present or future affecting or relating to the relevant Sandalwood Lot(s);
- (e) to transfer to the Responsible Entity, all of the Carbon Credits (if any) to which the relevant Grower is entitled pursuant to the terms of the Lease; and
- (f) upon the expiration or sooner determination of the Lease to peaceably surrender and yield up to the Responsible Entity the relevant Sandalwood Lot(s) clear and free of rubbish and in good and substantial repair and condition.

9.3.4 Lessor's Covenants

The Lessor's covenants include the following:

- (a) to give the Grower quiet enjoyment of the Leased Area during the Term;
- (b) that there are no mining tenements adversely affecting the Grower's interests; and
- (c) that all sub-leases will be in the same form or to the same effect.

9.3.5 Termination by the Lessor

The Lessor may terminate the Lease if the relevant Grower defaults in relation to the payment of money due and payable and the default continues for six months or the relevant Grower commits any breach or default in the due and punctual observance of any of the relevant Grower's covenants (but not in relation to payment of money) and that default is not remedied within one month of receiving written notice specifying the default and requiring it to be remedied.

The management section includes provisions to the following effect:

9.3.6 Appointment of Responsible Entity as Manager

The relevant Grower appoints the Responsible Entity to manage the relevant Sandalwood Lot(s) by performing the Services (as defined in the Lease and Management Agreement) and the Responsible Entity accepts the appointment.

9.3.7 The Services

The services to be provided by the Responsible Entity are as follows:

9.3.7.1 Establishment Services

The Responsible Entity must supervise and manage all commercial silvicultural activities to be carried on by the relevant Grower on the relevant Sandalwood Lot(s) and must:

- (a) acquire appropriate seeds and seedlings;
- (b) carry out weed control, surveying and ground preparation of the relevant Sandalwood Lot(s);
- (c) plant on the relevant Sandalwood Lot(s), in accordance with good silvicultural and forestry practices, sufficient Sandalwood seedlings or Trees, which would reasonably be expected to produce harvestable Sandalwood within 15 years from the Commencement Date at a rate which would reasonably be expected to provide a survival rate of 433 Trees per hectare at the end of the third year after the Commencement Date;
- (d) plant on the relevant Sandalwood Lot(s) such other Trees as it may consider to be necessary to enable or encourage the growth of or to protect the Sandalwood seedlings or Trees growing on the relevant Sandalwood Lot(s);
- (e) irrigate, cultivate, tend, cull, prune, fertilise, spray as required in support of planting; and
- (f) use all reasonable measures required in support of planting by fumigating and poisoning for exterminating and keeping the relevant Sandalwood Lot(s) free from rabbits and other vermin.

9.3.7.2 Ongoing Services

The Responsible Entity must supervise and manage all commercial silvicultural activities to be carried on by the relevant Grower on the relevant Sandalwood Lot(s) and must:

- (a) irrigate, cultivate, tend, cull, prune, fertilise, replant, spray, maintain and otherwise care for the Trees as and when required;
- (b) plant on the relevant Sandalwood Lot(s) such other Trees as it may consider to be necessary to enable or encourage the growth of or to protect the Sandalwood seedlings or Trees growing on the relevant Sandalwood Lot(s);
- (c) replant the relevant Sandalwood Lot(s) or part thereof with sufficient seedlings or Trees if the Responsible Entity deems necessary, with the replanting fee to be paid by the Responsible Entity;
- (d) keep in good repair any access road or roads to the relevant Sandalwood Lot(s);
- (e) use all reasonable measures by fumigating and poisoning for exterminating and keeping the relevant Sandalwood Lot(s) free from infestation of rabbits and other vermin and to comply with the provisions of all statutes, regulations and by-laws and all amendments thereto with respect to the same, and any other statutes, rules, regulations and by-laws relating to or affecting the relevant Sandalwood Lot(s) or the Grower in respect thereof;
- (f) maintain in good repair and condition adequate fire-breaks in and about the relevant Sandalwood Lot(s);

- (g) maintain the relevant Sandalwood Lot(s) according to good silvicultural and forestry practices;
- (h) furnish to the relevant Grower reports as and when required by the Lease and Management Agreement and the Constitution;
- (i) carry out, or arrange to be carried out, the Harvest and Processing of the Trees in a manner which maximises the return for the relevant Grower; and
- (j) carry out any other obligation to be performed by the Responsible Entity pursuant to the terms of any relevant agreement entered into by the Responsible Entity for the sale of Forest Produce.

9.3.7.3 Selling and Marketing Services

The Responsible Entity must:

- (a) supervise and manage the negotiating and making, at the maximum practicable price available, sales of the Forest Yield, including entering into any sale agreement with a purchaser on such terms and conditions as the Responsible Entity considers appropriate, whether before or after the planting of the relevant Sandalwood Lot(s) occurs;
- (b) supervise and manage the writing of a marketing plan defining the current world Sandalwood market, identifying relevant markets, identifying the cultural particulars of those markets, strategising how to best access those markets, and setting the sales targets within each market;
- (c) supervise and manage the contracting of expert personnel to negotiate a sales agreement with major purchasers of Sandalwood, whether the negotiation

would be in writing, by telephone, by facsimile or in person, and the payment of any applicable commissions;

- (d) maintain an international database of all potential buyers of Sandalwood in the years preceding the Harvest;
- (e) maintain contact with all potential buyers in order to keep them informed of the progress of the Sandalwood plantation and to give them due notice of the impending Harvest;
- (f) generate interest in Sandalwood as an end product so as to stimulate demand for the Forest Produce; and
- (g) educate manufacturers and retailers of Sandalwood products about the success and quality of the Western Australian grown Indian Sandalwood, so as to stimulate interest and demand for the Forest Produce.

9.3.8 Project Fees

The relevant Grower agrees to pay to the Responsible Entity, the fees as set out below, calculated on a sliding scale per Sandalwood Lot, as the fees for providing the Services:

9.3.9 Annual Investment Option

9.3.9.1 Establishment Fee

No. of Sandalwood Lots	Establishment Fee (GST exclusive) \$ Per Lot	Establishment Fee (GST inclusive) \$ Per Lot
1 - 5	11,500	12,650
6 or more	11,000	12,100

In respect of the above table, the prices quoted apply to all of the Sandalwood Lots purchased for that particular application. Therefore as an example if you were to apply for 6 lots (i.e. 1 hectare) then you will be required to pay \$72,600 (that is, 6 lots at \$12,100 per lot).

9.3.9.2 Lease and Management Fees

Fee	1 Sandalwood Lot		
	Amount	GST	Total
Annual Management Fee ¹	\$1,000	\$100	\$1,100
Annual Rent ²	\$ 200	\$ 20	\$ 220
Selling and Marketing Fee	5%	0.5%	5.5%

Notes:

1. The annual Management Fee will increase each year at a fixed rate of 2% per annum throughout the Term.
No annual Management Fee will be charged in the final year of Harvest.
2. The annual Rent will increase each year at a fixed rate of 2% per annum throughout the Term.

9.3.10 Annual Deferred Investment Option

9.3.10.1 Establishment Fee

No. of Sandalwood Lots	Establishment Fee	Establishment Fee
Applied for by Applicant 1	(GST exclusive) \$ Per Lot	(GST inclusive) \$ Per Lot
1 - 5	11,500	12,650
6 or more	11,000	12,100

9.3.10.2 Annual Deferred Investment Fee

Financial Year of Deferral	Percentage of additional Gross Proceeds of Sale to which the Responsible Entity is Entitled in respect of that year
Years 1 - 6	4%
Years 7 - 10	3%
Years 11 – 12	2%

9.3.11 Termination by relevant Grower

The relevant Grower may terminate the Lease and Management Agreement at any time after any of the following events:

- a breach of the Lease and Management Agreement of a substantial nature by the Responsible Entity or the Lessor, and if the breach is capable of remedy, failure by the Responsible Entity or the Lessor (as the case may be) to remedy the breach within 28 days of receiving written notice from the Grower to do so;
- the Responsible Entity or the Lessor committing an act of bankruptcy or going or being placed into liquidation or official management; and
- the Responsible Entity being removed as responsible entity of the Project under the Constitution.

9.3.12 Delegation

The Responsible Entity may, for the better performance of its obligations under the Lease and Management Agreement, employ agents, contractors, professional advisers and other consultants and these persons will not be under any fiduciary duty to account to the Grower by reason only of their appointment by the Responsible Entity. Generally, delegation by the Responsible Entity of any of its functions does not release it from liability under the Lease and Management Agreement.

9.3.13 Right to Produce

Subject to the relevant Grower complying with all of its obligations under the Lease and Management Agreement, the relevant Grower will at all times have full right, title and interest in the Forest Produce, or

Collectable Produce (as the case may be) on the relevant Sandalwood Lot(s).

9.3.14 Grower's Recommendations

The relevant Grower may give written notice to the Responsible Entity setting out the opinion or recommendation of the relevant Grower with respect to any matter relating to the Services or any other matter which is the subject of the Lease and Management Agreement and the Responsible Entity must give due consideration to the recommendation and use its reasonable endeavours to carry out any recommendation provided that the Responsible Entity is not obliged to carry out any recommendation which is unreasonable, impracticable, contrary to any provision of the Lease and Management Agreement, the Constitution, the Corporations Act or any other law or is not in the interests of Growers, or if there has been a change in circumstances since the date of the Grower's notice.

9.3.15 Responsible Entity's Report

The Responsible Entity must provide to the relevant Grower on an annual basis a report containing a review of the operations of the Project.

9.3.16 Sale of Sandalwood

In relation to these Growers also have not elected to collect the Collectable Produce, Grower is deemed to have irrevocably appointed the Responsible Entity as its exclusive agent for the purpose of making sales of Forest Produce.

9.3.17 Insurance

The Responsible Entity is obliged to obtain (at its cost) public risk insurance in relation to the Plantation for an amount not less than \$5 million. The Responsible Entity must use its reasonable endeavours to arrange (at its cost) insurance of the Sandalwood Lots up to the end of the Establishment Period against destruction or damage to the Sandalwood Lots by fire. The Responsible Entity will apply the relevant Grower's Proportional Share of insurance proceeds obtained as the result of any successful claim made under a policy of insurance against any amounts due and payable by the relevant Grower (including insurance premiums, Annual Management Fees, or any other amounts payable under the Lease and Management Agreement or the Constitution) before holding the balance on trust for the Grower and, as soon as practicable, paying this balance to the Grower.

9.3.18 Termination by the Responsible Entity

If the relevant Grower defaults in relation to the payment of money and the default continues for a period of 6 months or the relevant Grower commits a breach or default of one of the Grower's covenants (not in relation to the payment of money) and the default is not remedied within one month of the Grower receiving written notice of the default requiring it to be remedied, the Responsible Entity may terminate the Lease and Management Agreement.

The general section of the Agreement includes provisions to the following effect:

9.3.19 Assignment of Agreement

The relevant Grower (if it has not defaulted under the Lease and Management Agreement) may assign or transfer its rights under the Lease and Management Agreement provided:

- (a) it can prove to the satisfaction of the Responsible Entity and the Lessor that the proposed assignee or transferee is a respectable, responsible and solvent person; and
- (b) the ingoing party enters into a deed with the Responsible Entity and the Lessor in a form approved by the Responsible Entity and the Lessor, pursuant to which the ingoing party agrees to duly perform and observe the covenants and agreements on the Grower's part contained in the Lease and Management Agreement;
- (c) the assignment or transfer complies with the rules of any secondary market on which the Interests is traded.
- (d) the assignment or transfer complies with the Tax Laws Amendment (2007 Measures No. 3) Act 2007 (if applicable).

9.3.20 Power of Attorney

The relevant Grower irrevocably appoints the Responsible Entity as its attorney with full power in the name of the relevant Grower to do all such acts and execute all such deeds and documents which the Responsible Entity deems necessary for the purpose of complying with any duty or obligation imposed on the relevant Grower by the Lease and Management Agreement.

9.3.21 Authority

The relevant Grower authorises the Responsible Entity to date the Lease and Management Agreement and to complete any blank spaces in the schedule.

9.3.22 Payment of Stamp Duty and Registration Fees

The Responsible Entity must pay all stamp duties and legal costs payable in respect of the Lease and Management Agreement. Each Grower must pay any fees, costs or expenses to register the relevant Lease, to lodge a caveat in respect of the Grower's interest in the leased area or to lodge or register any other document that may be related to these actions or documents.

9.3.23 Tax

Any tax or impost (including, without limitation, GST) payable in respect of the rent, the management fee, the annual fee, the incentive fee or any other payment or service provided pursuant to the terms of the Lease and Management Agreement, must be paid by the relevant Grower.

9.4 Agreement For Sub-lease

In accordance with the Constitution, if there is no Plantation land available for allotment to a Grower before 30 June 2008, the Responsible Entity may still accept an Application where it believes it will be able to arrange entry into a sub-lease on behalf of the Grower in sufficient time to perform the Establishment Services within 12 months from the date of acceptance of that Application, and in those circumstances will enter into an Agreement for Sub-lease.

In the event that the Responsible Entity is required to arrange a Sub-Lease, the Sub-Lease will be entered into on the material terms and conditions set out below.

9.4.1 Parties

The parties to the Agreement for Sub-Lease will be the Responsible Entity, the Lessor and the relevant Grower.

9.4.2 Enter into Sub-Lease

Under the Agreement for Sub-Lease, the Responsible Entity must enter into a sub-lease of a Sandalwood Lot as attorney for the Grower in sufficient time for the Responsible Entity to perform the Establishment Services under the Lease and Management Agreement within the period of 12 months from the date that application is accepted. The sub-lease must in all respects contain terms and conditions that are substantially the same as that sub-lease forming part of the Lease and Management Agreement.

9.4.3 Lease and Management Agreement

Immediately before the sub-lease is in force and effect, the Responsible Entity must be satisfied that:

- (a) the Head Lease is valid and subsisting;
- (b) the Lessor is entitled under the Head Lease to grant the sub-lease to the Grower;
- (c) all consents that may be required have been obtained; and
- (d) the Sandalwood Lots the subject of the sub-lease are not subject to any encumbrance or restriction detrimentally affecting the Grower's interest, other than those already disclosed in the PDS.

The Grower agrees to lease the Sandalwood Lots under the sub-lease as arranged by the Responsible Entity.

9.4.4 Term

The Agreement for Sub-Lease commences on the date of the agreement and continues until the earlier of the grant of the sub-lease to the Grower or termination of the Project.

9.4.5 Assignment

The Grower may only transfer, mortgage, assign or otherwise dispose of this Agreement or any of its rights or interests under it in accordance with the provisions of the Constitution.

9.5 Plantation Management Agreement

Pursuant to this agreement, the Project Manager has agreed to perform all of the Services which are required to be undertaken by the Responsible Entity under the Lease and Management Agreement, although the Responsible Entity remains liable to the Growers for the manner in which the Services are performed.

In addition to providing the Services, the Project Manager must, amongst other things:

- (a) provide the Responsible Entity on or before 31 October and 30 April of each financial year after the end of the Establishment Period, a report containing a review of the timber operations on the Plantation during the relevant period;
- (b) make available to the Responsible Entity all of the books relating to the Project;

- (c) regularly monitor and whenever required by the Responsible Entity, report on all relevant key provisions of the Lease and Management Agreements; and
- (d) provide the Responsible Entity with an appropriate action plan to address any issues identified in any expert's reports as requiring attention.

In consideration for the Project Manager performing the Services, the Responsible Entity shall pay the Project Manager an amount of \$50,000 per hectare during the Establishment period, and \$6,000 per hectare for each of years 2 to 13. The Responsible Entity may also pay a bonus to the Project Manager if it successfully completes the Services.

9.6 Head Lease

Pursuant to the Head Leases, the Head Lessor (being the registered proprietor of the Plantation) has agreed to lease the Plantation to the Lessor and has consented to the Lessor sub-leasing Sandalwood Lots to Growers.





10.0 GLOSSARY

In this Product Disclosure Statement the following words have the following meaning, unless the context requires otherwise:

'Agreement for Sub-Lease' means the agreement for sub-lease in the form contained in the Schedule to the Constitution.

'Annual Investment Option' means the annual investment option described in Section 2.4(a) of this PDS.

'Annual Deferred Investment Option' means the annual deferred investment option described in Section 2.4(b) of this PDS.

'Applicant' means a person who has lodged an Application by completing an Application Form but has not become a Grower.

'Application' means a signed application (in the form of the Application Form accompanying or attached to this PDS) for one or more Sandalwood Lots.

'Application Form' means one of the forms attached to or accompanying this PDS and includes the Joint Venture Growers Application Form.

'Application Fund' means the application fund formed under the Constitution and includes:

- (a) all Application Money;
- (b) the investments (if any) for the time being representing the sums referred to in paragraph (a); and
- (c) the proceeds of the sale, redemption, repayment or realisation of any of the investments referred to in this definition.

'Application Money' means the total amount payable on Application for one or more Sandalwood Lots in accordance with an Application.

'ASIC' means the Australian Securities and Investments Commission.

'Business Day' means any day other than a Saturday, Sunday or public holiday in Western Australia.

'Carbon Credits' means the entitlement to any tradable credits or rights associated with the Trees (including any lost Trees) resulting from the ability of the Trees (including any lost Trees) to absorb greenhouse gases.

'Cleaned Logs' means the harvested Sandalwood with the sapwood removed to produce clear heartwood and the roots of the Sandalwood Tree containing heartwood.

'Collectable Produce' means, in relation to a Grower who is an Electing Grower, that Grower's Proportional Share of the Forest Yield.

'Commencement Date' means, in relation to a Lease and Management Agreement, the date of commencement of that Lease and Management Agreement.

'Compliance Plan' means the compliance plan prepared by the Responsible Entity for the Project as required by the Corporations Act.

'Constitution' means the constitution of the Project.

'Corporations Act' means the Corporations Act (2001) for the time being in force together with the regulations of the Corporations Act (2001).

'Costs of Harvesting and Processing' means all costs incurred by the Manager in the Harvesting and Processing of the Sandalwood Trees located on the Plantation and transporting them to store. These costs include interest on all amounts of money paid by the Manager towards Harvesting and Processing from the time when those costs are paid until the time that the Responsible Entity is reimbursed.

'Deferred Grower' means a Grower who has made an election to participate in the Project under the Annual Deferred Investment Option.

'Directors' means the directors of the Responsible Entity (as they are from time to time).

'Electing Grower' means a Grower who has made an election in accordance with the Lease and Management Agreement to collect the Collectable Produce on his or her Sandalwood Lot(s).

'Establishment Period' means, in relation to any Sandalwood Lot:

- (a) if a Grower's Application is accepted by the Responsible Entity on or before 30 June 2008, in circumstances where the Responsible Entity considers that the Establishment Services cannot be performed prior to 30 June 2008 but can be performed within twelve months of the Commencement Date and if the Establishment Services are performed within twelve months of the Commencement Date - the period of twelve months from the Commencement Date; or

(b) if a Grower's Application is accepted by the Responsible Entity on or before 30 June 2009, in circumstances where the Responsible Entity considers that the Establishment Services cannot be performed prior to 30 June 2009 but can be performed within twelve months of the Commencement Date and if the Establishment Services are performed within twelve months of the Commencement Date - the period of twelve months from the Commencement Date.

'*Establishment Fee*' means the fee described in Section 2.3 (a).

'*Establishment Services*' means the services to be provided by the Manager as specified in the Lease and Management Agreement.

'*Fees*' means any or all of the Fees and costs of participating in the Project payable by a Grower as the context requires.

'*Forest Produce*' means, in relation to a Grower who is an Non-Electing Grower, that Grower's Proportional Share of the Forest Yield.

'*Forest Yield*' means produce from the Plantation (expressed in cubic metres) after Harvesting and Processing and includes sapwood and any other saleable byproduct from processing.

'*Gross Proceeds of Sale*' means the gross amount received by the Manager from the sale of Forest Produce.

'*Gross Project Proceeds*' means the gross amount received by the Manager from the sale of Forest Yield (excluding all Collectable Produce).

'*Growers*' means all of the persons who are identified as 'growers' in any Lease and Management Agreement(s) entered into relating to the Project.

'*GST*' has the meaning contained in Section 195-1 of the A New Tax System (Goods and Services Tax) Act 1999.

'*Harvest*' and '*Harvesting*' means all of the steps required to cut down and pull the Sandalwood Trees and prepare them for Processing, including but not limited to surveying, felling, extraction, loading and haulage .

'*Head Lease*' means the lease of the Plantation entered into between the Head Lessor and the Lessor.

'*Head Lessor*' means the owner of the land on which the Plantation is located or to be located.

'*Incentive Fee*' means the fee described in Section 2.3(g).

'*Indexed*' means that wherever the word 'Indexed' appears in reference to an amount of money, then this means that the amount of money referred to must be increased by two percent (2.0%) annually.

'*Instalment Option*' means the method of payment of the Establishment Fees by instalments in accordance with the Terms Agreement.

'*Joint Venture Growers' Application Form*' means the form attached to this PDS entitled 'Joint Venture Growers' Application Form'.

'*Lease*' means, in relation to a Grower, the sub-lease of the Leased Area granted by the Lessor to the Grower under the Lease and Management Agreement.

'*Lease and Management Agreement*' means one or more agreements comprising the Lease and the Management Agreement in the form contained in the Schedule to the Constitution or in such other form (such as electronic, hard copy or in a language other than English) as the Responsible Entity shall reasonably determine having regard to a particular investor's needs and costs.

'*Lease and Management Fee*' means the Lease Fee and the Management Fee.

'*Lease Fee*' means the Fee calculated in accordance with Item 9B (Rent) of the Lease and Management Agreement (Indexed) which is payable to the Responsible Entity pursuant to the Lease and Management Agreement.

'*Leased Area*' means, in relation to a Grower, that specified part of the Plantation as identified in the Annexure to the relevant Lease and Management Agreement (comprising one or more Sandalwood Lots) to be sub-leased by the Grower from the Lessor pursuant to the terms of the relevant Lease and Management Agreement.

'*Lessor*' means TFS Leasing Pty Ltd (ACN 080 978 721), a subsidiary of TFS Corporation Ltd.

'Manager' means the Manager under the Lease and Management Agreement.

'Management Fee' means the Fee calculated in accordance with Item 9B (Annual Management Fee) of the Lease and Management Agreement (Indexed), which is payable to the Responsible Entity pursuant to the Lease and Management Agreement.

'Net Proceeds of Sale' applies to a Non-Electing Grower and means the Gross Proceeds of Sale less:

- (a) the Grower's Proportional Share of the Costs of Harvesting and Processing; and
- (b) the Non-Electing Grower's Proportional Share of the Selling and Marketing Fee.

'Non-Electing Grower' means a Grower who is not an Electing Grower;

'Non-Electing Growers' Proportional Share' means the proportion which the number of Sandalwood Lots sub-leased by the Non-Electing Grower bears to the total number of Sandalwood Lots sub-leased by all Non-Electing Growers.

'Ongoing Services' means the services to be provided by the Manager as specified in the Lease and Management Agreement.

'Plantation' means the whole of the land leased by the Lessor to be divided into Sandalwood Lots on which Growers will conduct the commercial silvicultural enterprise as detailed and described in this PDS.

'Proceeds Fund' means the proceeds fund formed under the Constitution and includes:

- (a) any Gross Proceeds of Sale;
- (b) the investments (if any) for the time being representing the sums referred to in paragraph (a); and
- (c) the proceeds of the sale, redemption, repayment or realisation of an Interest.

'Process' and *'Processing'* means all of the steps required to process Harvested Sandalwood Trees into a saleable form as cleaned logs and roots and butts and then to transport them to store.

'Product Disclosure Statement' or *'PDS'* means this document issued by the Responsible Entity offering Sandalwood Lots and includes any documents that are supplementary to or in replacement of this document.

'Project' means the managed investment scheme known as the TFS Sandalwood Project 2008 (ARSN 128 710 261).

'Project Manager' means Tropical Forestry Services Ltd (ACN 080 139 966).

'Project Property' means the scheme property of any Scheme or the Project (as the case may be) as determined in accordance with the definition of scheme property in Section 9 of the Corporations Act.

'Proportional Interest' means, in relation to:

- (a) each Applicant, the proportion which the Application Money paid by the Applicant bears to the total amount of Application Money paid by all Applicants;

- (b) each Grower in a Scheme, the proportion that the area of the Sandalwood Lots sub-leased by the relevant Grower bears to the total area of the Sandalwood Lots sub-leased by all Growers in the same Scheme; and
- (c) each Grower in a Project, the proportion that the area of the Sandalwood Lots sub-leased by the relevant Grower bears to the total area of the Sandalwood Lots sub-leased by all Growers in the same Project.

'Proportional Share' means the proportion which the number of Sandalwood Lots sub-leased by the relevant Grower bears to the total number of Sandalwood Lots sub-leased by all relevant Growers for the time being.

'Responsible Entity' means TFS Properties Ltd (ACN 093 330 977), the responsible entity of the Project operating under Australian Financial Services Licence number 241192.

'Sandalwood Lot' means a specified area or areas comprising approximately one sixth (1/6) of a hectare forming part of the Plantation which is sub-leased or intended to be sub-leased to a Grower as more particularly delineated on a Plan and 'Sandalwood Lots' means more than one Sandalwood Lot.

'Scheme' refers to all those Sandalwood Lots for which the Establishment Period ends on the same date.

'Selling and Marketing Fee' means a Fee of 5.5% of the Gross Proceeds of Sale (inclusive of GST) to be deducted by the Manager from the Gross Proceeds of Sale in consideration of the Manager performing the Selling and Marketing Services.

'Selling and Marketing Services' means the services to be provided by the Manager as specified in the Lease and Management Agreement.

'Services' means the Establishment Services, the Ongoing Services and the Selling and Marketing Services.

'Store' means a covered secure area suitable for the storage of the Forest Yield within 20 kilometres of the Plantation.

'Target Net Proceeds of Sale' means the targeted net proceeds of sale per Sandalwood Lot, being A\$200,000 (see Incentive Fee at Section 2.3 (g)).

'Term' has the meaning given in the Lease and Management Agreement.

'TFS Group Companies' means TFS Corporation Ltd (ACN 092 200 854) and its wholly-owned subsidiaries.

'Trees' means the Santalum album trees grown on the Leased Area as part of the Project, and such other trees as may reasonably be necessary or required to enable or encourage the growth of or protect the Santalum album seedlings or trees growing on the Leased Area.

'Year' means a period of 12 months.

'You' means an Applicant, a Grower, an initial Grower, an Electing Grower or a Non-Electing Grower as the context requires.



11.0 APPLICATION FORMS

11.1 How To Apply

Please complete and sign the relevant Application Form on the following pages:

- ~ Joint Applicants (not Joint Venture Growers) must complete the 'Grower Application Form' and each Applicant must sign. Joint Applicants will be deemed to be holding their Sandalwood Lots as joint tenants.
- ~ Joint Venture Applicants must complete the 'Joint Venture Growers' Application Form' and both the Initial and Secondary Growers must sign.
 - ~ The Initial Grower is 'Joint Applicant No.1' and must complete the Application in respect of the Establishment Fee.
 - ~ The Secondary Grower is 'Joint Applicant No.2' and must complete the Application in respect of the investment.

Please complete the Application Form in BLOCK LETTERS and sign on the relevant page.

Section 1 ~ Details of Applicants

Section 1 must be completed:

All Applicants - please complete the name, address and contact details for each Applicant.

Companies or Corporations - if any Applicant is a company or corporation, you must include its ABN ('Australian Business Number') or ARBN ('Australian Registered Body Number') after its name.

Trusts or superannuation funds - if the Application is made by a trust or superannuation fund, the Application must be made by the trustee[s] of the trust or superannuation fund in their own name[s], and not in the name of the trust or fund itself. The Trust Deed should be provided with the Application Form.

Section 2 ~ Sandalwood Lot(S) Applied For

Please complete the number of Sandalwood Lots in the Project for which you have applied. Then calculate the Establishment Fee in accordance with your Application.

Section 2 (Joint Venture Growers) ~ Sandalwood Lot(S) Applied For And Payment Election

Please complete the number of Sandalwood Lots in the Project for which you have applied and calculate the Establishment Fee to be paid by Joint Venture Applicant No.1.

Section 3 ~ Payment Method

If wish to pay your Establishment Fee with cash or cheque, please include payment with this Application Form. If you wish to pay via credit card or direct debit, please provide your credit card or bank details and the amount of the Establishment Fee to be deducted.

Section 4 ~ Election To Collect And Market Produce

If you intend to collect your own Sandalwood timber from your Sandalwood Lot(s) on completion of Harvesting, please tick the box.

If you do not elect to collect and market your own Sandalwood, the Responsible Entity will pool your Sandalwood timber with the Sandalwood of other Non-Electing Growers, and market it on behalf of the Non-Electing Growers, and account to you for your share of the Net Proceeds of Sale.

GROWER Application FORM

IMPORTANT: Read the Product Disclosure Statement to which this Application Form relates before signing this Application Form. This Application Form must not be issued, circulated or distributed unless attached to or accompanying the Product Disclosure Statement.

SECTION 1 - DETAILS of APPLICANT(S)

Individual Applicant(s)

Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names..... Date of Birth.....

Occupation Industry.....

Joint Applicant:

Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names..... Date of Birth.....

Note: All Joint Applicants will be registered as joint tenants, not as tenants in common.

Corporate Applicant

Company Name.....

ABN..... Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names.....

Name of Trust (if applicable).....

Address & Contact Details

Street Address.....

Suburb..... State..... Postcode.....

Postal Address (as above).....

Suburb..... State..... Postcode.....

Home Telephone..... Work Telephone.....

Mobile Telephone..... Facsimile Number

Email Address.....

www.tfsltd.com.au

SECTION 2 - SANDALWOOD LOT(S) APPLIED FOR

The number of Sandalwood Lot(s) applied for is:

The total Establishment Fee (incl GST) in respect of Sandalwood Lot(s) applied for is:

For Applications of between:

1 and 5 lots, Establishment Fee of Lots x \$12,650: \$

OR for Applications of 6 lots or more Lots x \$12,100: \$

SECTION 3 - PAYMENT METHOD

Payment in Full Deposit Only

Deposit & Instalments (if applicable)

Payment by:

Cash / Cheque

[Please enclose cheque for Establishment Fees made payable to TFS Properties Ltd.]

Credit Card

Amount..... Card Type (circle one) MC / Visa

Card Name.....

Card No Expiry.....

Direct Debit

BSB..... Account No.....

Account Name.....

Finance Required.....

SECTION 4 - ELECT TO COLLECT AND MARKET PRODUCE

Elect to collect & market harvest produce from my/our Sandalwood Lot(s)

Tick to authorise TFS Properties Ltd to disclose my investment information to my financial adviser

Adviser:

SECTION 5 - SIGNING THE APPLICATION FORM

I/We hereby acknowledge and agree that:

- ~ I/We have read the Product Disclosure Statement to which this Application Form relates.
- ~ I/We agree to be bound by the terms of the Constitution and the Lease and Management Agreement (as amended) or the Agreement for Sub-Lease (as applicable).
- ~ If signed under Power of Attorney, the Attorney states that no notice of revocation of the Power of Attorney under which this Application Form is signed has been received.
- ~ That acceptance of this Application for Sandalwood Lots (in whole or in part) will be constituted by execution of the Lease and Management Agreement by the Responsible Entity on my/our behalf, without further communication of acceptance by me.
- ~ I/we appoint Steinepreis Paganin as my/our agent solely for the purpose of preparing, executing and lodging a caveat at Landgate in respect of my/our interest in the Sandalwood Lots.
- ~ I/we provide a power of attorney in favour of TFS Properties Limited on the terms outlined below.

Date.....

Individuals:

Corporations:

Executed in accordance with the Corporations Act

Signed..... Director.....

Full Name..... Full Name.....

Signed..... Director/Secretary.....

Full Name..... Full Name.....

POWER OF ATTORNEY

By signing this Application Form, I/we the person named in the 'Details of Applicants' section appoint TFS Properties Ltd (ACN 093 330 977) of 254 Adelaide Terrace, Perth, Western Australia ('Attorney') to be my/our attorney and in my/our name and in my/our behalf and as my/our act and deed to:

- ~ enter into and execute on my/our behalf an Agreement for Sub-Lease or a Lease and Management Agreement in respect of the Sandalwood Lots I/we have applied for and which TFS Properties accepts pursuant to the Constitution ('Lease and Management Agreement'); and
- ~ to do all things necessary or expedient to give effect to those documents including, but not limited to, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant,

By granting this Power of Attorney, you do so on the following terms and conditions:

- a. you will ratify whatever the Attorney does in the exercise of the power granted by you;
- b. you will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, howsoever arising consequent upon the exercise of the power granted by you except in the event of gross negligence, fraud or wilful default by the Attorney;
- c. the Attorney may, and where required will, stamp and register this instrument at the cost of the Applicant;
- d. any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact;
- e. this Power of Attorney is irrevocable until the expiration of the Project under the Constitution; and
- f. the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation.

JOINT VENTURE GROWERS' Application Form

IMPORTANT: Read the Product Disclosure Statement to which this Application Form relates before signing this Application Form. This Application Form must not be issued, circulated or distributed unless attached to or accompanying the Product Disclosure Statement. This form must only be completed by persons electing to enter into a Joint Venture in respect of their investment.

SECTION 1 - DETAILS OF APPLICANTS

a. Joint Venture Applicant No. 1

Individual Applicant

Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names Date of Birth

Occupation Industry

Corporate Applicant

Company Name

ABN Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names

Name of Trust (if applicable)

Address & Contact Details

Street Address

Suburb State Postcode

Postal Address (as above)

Suburb State Postcode

Home Telephone Work Telephone

Mobile Telephone Facsimile Number

Email Address

b. Joint Venture Applicant No. 2

Individual Applicant

Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names Date of Birth

Occupation Industry

Corporate Applicant

Company Name

ABN Principal Contact: Mr / Mrs / Ms / Dr

Surname

Given Names

Name of Trust (if applicable)

Address & Contact Details

Street Address

Suburb State Postcode

Postal Address (as above)

Suburb State Postcode

Home Telephone Work Telephone

Mobile Telephone Facsimile Number

Email Address

SECTION 2 - SANDALWOOD LOT(S) APPLIED FOR AND PAYMENT ELECTION

The number of Sandalwood Lot(s) applied for is (2 Lot minimum):

The total Establishment Fee (incl GST) to be paid by Joint Venture Applicant No.1 is:

For Applications of between

1 and 5 lots, Establishment Fee of Lots x \$12,650: \$.....

OR for Applications of between 6 or more lots Lots x \$12,100: \$.....

SECTION 3 - PAYMENT METHOD

Payment in Full Deposit Only

Deposit & Instalments (if applicable)

Payment by:

Cash / Cheque

[Please enclose cheque for Establishment Fees made payable to TFS Properties Ltd.]

Credit Card

Amount..... Card Type (circle one) MC / Visa

Card Name.....

Card No Expiry.....

Direct Debit

BSB..... Account No.....

Account Name.....

Finance Required.....

SECTION 4 - ELECT TO COLLECT AND MARKET PRODUCE

Elect to collect & market harvest produce from my/our Sandalwood Lot(s)

SECTION 5 - SIGNING THE APPLICATION FORM

I/We hereby acknowledge and agree that:

I/We hereby acknowledge and agree that:

~ I/We have read the Product Disclosure Statement to which this Application Form relates.

~ I/We agree to be bound by the terms of the Constitution and the Lease and Management Agreement (as amended) or the Agreement for Sub-Lease (as applicable).

~ If signed under Power of Attorney, the Attorney states that no notice of revocation of the Power of Attorney under which this Application Form is signed has been received.

~ That acceptance of this application for Sandalwood Lots (in whole or in part) will be constituted by execution of the Lease and Management Agreement by the Responsible

Entity on my/our behalf, without further communication of acceptance by me.

~ I/we appoint Steinepreis Paganin as my/our agent solely for the purpose of preparing, executing and lodging a caveat at Landgate in respect of my/our interest in the Sandalwood Lots.

~ I/we provide a power of attorney in favour of TFS Properties Limited on the terms outlined below.

~ The terms headed 'Joint Venture Agreement' are accepted by me and govern the relationship with the other Joint Venture Grower.

~ The percentage split of the Joint Venture Property for the purposes of the Joint Venture Agreement is on a 50%:50% basis.

Tick to authorise TFS Properties Ltd to disclose my investment information to my financial adviser

Adviser:

Date.....

Joint Venture Applicant No.1

Individuals:

Corporations:

Executed in accordance with the Corporations Act

Signed..... Director.....

Full Name Full Name.....

Signed..... Director/Secretary.....

Full Name Full Name.....

Joint Venture Applicant No.2

Individuals:

Corporations:

Executed in accordance with the Corporations Act

Signed..... Director.....

Full Name Full Name.....

Signed..... Director/Secretary.....

Full Name Full Name.....

POWER OF ATTORNEY

By signing this Application Form, I/we the person named in the 'Details of Applicants' section appoint TFS Properties Ltd (ACN 093 330 977) of 254 Adelaide Terrace, Perth, Western Australia ('Attorney') to be my/our attorney and in my/our name and in my/our behalf and as my/our act and deed to:

- ~ enter into and execute on my/our behalf an Agreement for Sub-Lease or a Lease and Management Agreement in respect of the Sandalwood Lots I/we have applied for and which TFS Properties accepts pursuant to the Constitution ('Lease and Management Agreement'); and
- ~ to do all things necessary or expedient to give effect to those documents including, but not limited to, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant,

By granting this Power of Attorney, you do so on the following terms and conditions:

- a. you will ratify whatever the Attorney does in the exercise of the power granted by you;
- b. you will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, howsoever arising consequent upon the exercise of the power granted by you except in the event of gross negligence, fraud or wilful default by the Attorney;
- c. the Attorney may, and where required will, stamp and register this instrument at the cost of the Applicant;
- d. any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact;
- e. this Power of Attorney is irrevocable until the expiration of the Project under the Constitution; and
- f. the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation.

JOINT VENTURE AGREEMENT

Background

The Joint Venture Growers propose to establish an unincorporated joint venture among themselves to hold, cultivate and maintain the number of Sandalwood Lots under the TFS Sandalwood Project 2008 set out in this application form (Joint Venture).

Terms and Conditions

1. The Joint Venture Growers agree to associate themselves with each other in a joint venture for the purposes specified above and in respect of the Joint Venture Property (defined in clause 2).
2. For the purpose of this agreement, Joint Venture Property means:
 - (a) all of the right, title and interest of each Joint Venture Grower in and to the Sandalwood Lots and any other assets which the Joint Venture may acquire from time to time, and all agreements entered into, in respect of the Joint Venture; and
 - (b) all saleable produce, whether in a processed or unprocessed state, and the fee from any Carbon Credits produced from the Joint Venture.
3. The interests of the Joint Venture Growers in the Joint Venture and the Joint Venture Property and any losses realised from the Joint Venture will be as tenants in common in their respective proportions. Nothing contained in this agreement whether express or implied will be read and construed so as to constitute the Joint Venture Growers in the relationship of a partnership or trust.
4. The obligations and rights of the Joint Venture Growers are as follows:
 - (a) the first Joint Venture Grower (as described in this application) will be responsible for procuring the preparation and establishment of the Sandalwood Lots;
 - (b) the second Joint Venture Grower (as described in this application) will be responsible for procuring the ongoing provision of land and maintenance for the conduct of the Joint Venture;
 - (c) each joint venturer will be responsible for their respective percentage of any harvest supervision and incentive fees payable out of the sale proceeds; and
 - (d) each Joint Venture Grower indemnifies the other against any losses or liability exceeding its respective proportion by reason of any joint liability incurred or joint loss sustained in connection with any contract or arrangement entered into by the Joint Venture.
5.
 - (a) In consideration for procuring the preparation and establishment of the Sandalwood Lots, the first Joint Venture Grower is entitled to the percentage of the Joint Venture Property set out in this form, and in particular, of all saleable produce, whether in a processed or unprocessed state, and the fee from any Carbon Credits produced from the Sandalwood Lots.
 - (b) In consideration for procuring the ongoing provision of land and maintenance for the conduct of the Joint Venture, the second Joint Venture Grower is entitled to the percentage of the Joint Venture Property set out in this form, and in particular, of all saleable produce, whether in a processed or unprocessed state, and the fee from any Carbon Credits produced from the Sandalwood Lots.
6. Each Joint Venture Grower agrees with the other Joint Venture Grower to be just and faithful in all transactions relating to the Joint Venture and to perform the obligations imposed on it under clause 4.
7. Each Joint Venture Grower may dispose of its interest in the Joint Venture by offering to sell all or part of its interest in the Joint Venture to the other for a price equal to the market value of that interest and on terms otherwise agreed by the parties.
8. The Joint Venture will terminate on the earlier of:
 - (a) the completion of the sale of the Joint Venture Property;
 - (b) the date on which a Joint Venture Grower sells its interest in the Joint Venture to the other Joint Venture Grower; and
 - (c) the date the Joint Venture terminates by mutual agreement by the parties.

12.0 INSTALMENT OPTION

12.1 LETTER TO THE RESPONSIBLE ENTITY FOR INSTALMENT OPTION

This letter should only be completed and returned to the Responsible Entity if the Applicant wishes to satisfy the Establishment Fee by the Instalment Option. By signing and returning this letter to the Responsible Entity, I/we wish to satisfy the Establishment Fee by paying:

- (a) 20% of the Establishment Fee on Application (a cheque for this amount is attached to the Application Form);
- (b) the remaining portion in equal instalments commencing on the 1st day of the month after Application for the Sandalwood Lot(s) by me/us; and
- (c) all of the instalments will be paid within 12 months from the date of Acceptance of a Growers Application. (the 'Instalment Option').

I/We acknowledge that:

- (a) the Responsible Entity will review all Applications for the Instalment Option on an Application by Application basis and is under no obligation to accept all Applications for the Instalment Option;
- (b) if the Responsible Entity provisionally approves my/our Application for the Instalment Option it will forward to me a Terms Agreement which will set out the terms on which the Responsible Entity will allow the Establishment Fee to be satisfied by instalments;
- (c) the Instalment Option will not be granted to me/us unless the Terms Agreement is executed and returned to the Responsible Entity; and
- (d) if the application for the Instalment Option is rejected by the Responsible Entity, I/we must satisfy the full amount of the Establishment Fee owing to the Responsible Entity in respect of the Sandalwood Lot(s) applied for, or notify the Responsible Entity that I/we do not wish to proceed with my/our Application within 5 business days of receiving confirmation from the Responsible Entity that the Application for the Instalment Option has been rejected.

Signed.....

Full Name



CORPORATE DIRECTORY

THE RESPONSIBLE ENTITY Tfs PROPERTIES LTD

(ACN 093 330 977)

254 Adelaide Terrace
Perth WA 6000

Telephone: +61 8 9221 9466

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THE PROJECT MANAGER TROPICAL FORESTRY SERVICES LTD

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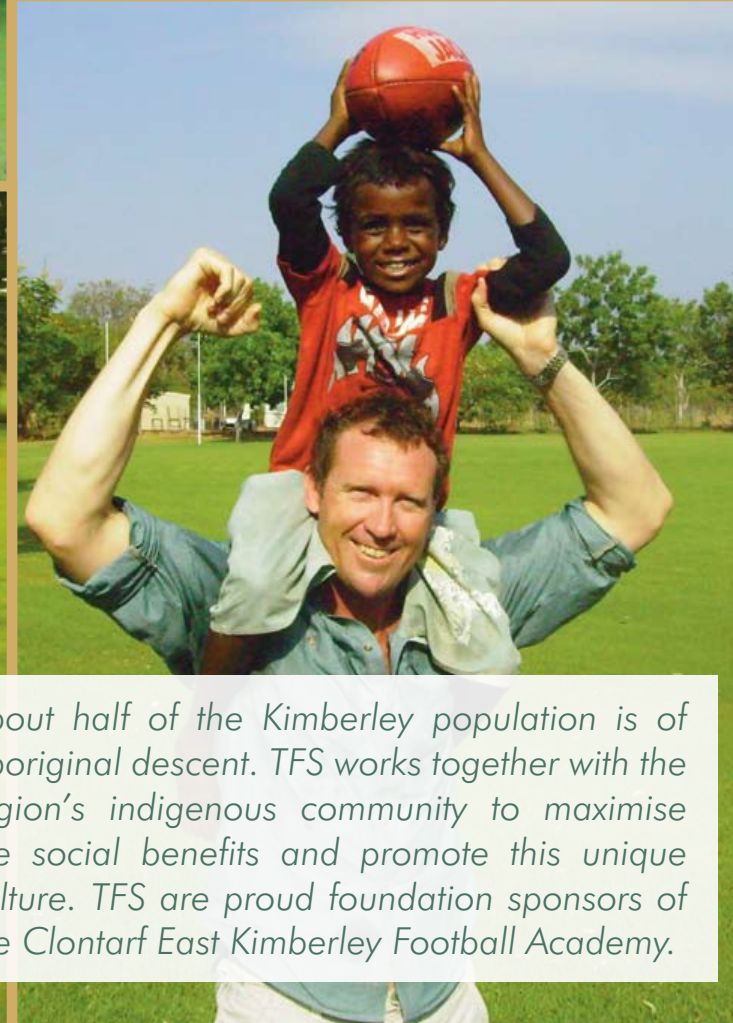
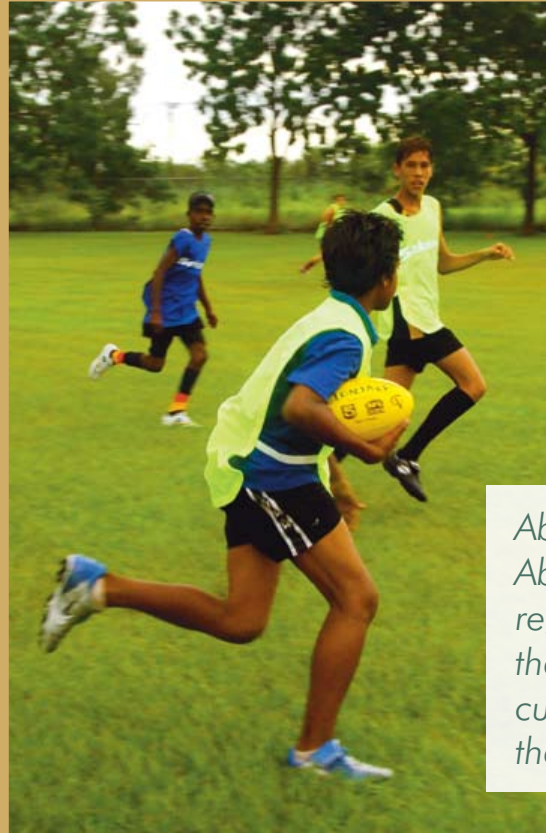
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About half of the Kimberley population is of Aboriginal descent. TFS works together with the region's indigenous community to maximise the social benefits and promote this unique culture. TFS are proud foundation sponsors of the Clontarf East Kimberley Football Academy.



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