

25 January 2024

**SANDALWOOD PROPERTIES LTD (ACN 093 330 977) AS RESPONSIBLE ENTITY OF THE SCHEMES (SPL)**

We write to you as an investor in one or more of the following managed investment schemes:

- TFS Sandalwood Project 2007 (ARSN 123 883 830);
- TFS Sandalwood Project 2008 (ARSN 128 710 261);
- TFS Sandalwood Project 2009 (ARSN 135 373 938);
- TFS Sandalwood Project 2010 (ARSN 142 774 132);
- TFS Sandalwood Project 2011 (ARSN 150 211 171);
- TFS Sandalwood Project 2012 (ARSN 157 880 263);
- TFS Sandalwood Project 2013 (ARSN 161 604 806);
- TFS Sandalwood Project 2014 (ARSN 167 882 493);
- TFS Sandalwood Project 2015 (ARSN 604 615 232); and
- TFS Indian Sandalwood Project 2016 – Retail Investment Offer (ARSN 610 346 864),

(together, the **Schemes**).

Please read this communication as it contains important information about the Schemes.

**ADMINISTRATION OF QUINTIS LEASING PTY LTD (ADMINISTRATORS APPOINTED)**

On 20 December 2023, Richard Tucker and Scott Kershaw, both of KordaMentha, were appointed as voluntary administrators of Quintis Leasing by a resolution of the directors of Quintis Leasing pursuant to section 436A of the *Corporations Act 2001* (Cth) (**Act**) (**Administrators**). A copy of the initial circular to creditors issued by the Administrators dated 28 December 2023 is available for investors to download from SPL's website: [www.sandalwoodproperties.com.au](http://www.sandalwoodproperties.com.au).

Earlier today we provided you with the Administrators' circular dated 24 January 2024 which is available for you to download from SPL's website: [www.sandalwoodproperties.com.au](http://www.sandalwoodproperties.com.au).

In summary, the current situation is as follows.

### Leases

On 22 December 2023, the Administrators obtained orders in Federal Court of Australia extending the period during which the Administrators are not personally liable for rent or other amounts payable by Quintis Leasing under any of its head leases (i.e. the rent-free period). This extension was given through until 30 January 2024.

The purpose of the extension of time was to allow the Administrators additional time to obtain funding from any third parties who were willing to put forward a proposal to recapitalise Quintis Leasing. This also enabled the Administrators to keep the leases on foot while those proposals were being sought. The objective of any potential restructure of Quintis Leasing is to maintain the existing structure of the Schemes (through the Lease and Management Agreements).

We have been informed by the Administrators that they:

- have not been able to obtain funding or other proposals from any third parties;
- reiterate that they are not prepared to be personally liable for rent or other amounts payable by Quintis Leasing under any of its leases; and
- intend to advise the landholders that they do not intend to accept personal liability for any of Quintis Leasing's head leases and that they will surrender them unless a funding proposal is received by them, or they are able to get a further extension of the rent-free period from the Federal Court.

If the Administrators surrender the Quintis Leasing head leases, it is possible, if not likely, that the landholders will seek to terminate the head leases and reclaim possession of their land.

In addition to the above, the Administrators have informed us that certain landholders have filed an application to recover possession of certain land on which the Schemes operate. If the leases are terminated and possession of the land is reclaimed by landholders, the Schemes will not be able to continue to operate irrespective of SPL's application to wind up the Schemes.

For completeness, we can confirm that the sandalwood plantations on the land continue to be managed in accordance with SPL's operational plan and practice of previous years.

### Second meeting of creditors

The Administrators are required to issue a notice for the second meeting of creditors of Quintis Leasing by 30 January 2024, with the second meeting of creditors to be held within 5 business days (i.e. by 6 February 2024).

Unless there is a viable funding or restructuring proposal, Quintis Leasing will likely be placed into liquidation at the second meeting of creditors. A liquidator appointed to Quintis Leasing may exercise its power under section 568 of the Act to disclaim any of the leases to which Quintis Leasing is a party. If that is to occur, as stated above, the Schemes will not be able to continue to operate.

### Further Application for an Extension of the Rent-Free Period

The Administrators have filed a further application for:

- a further extension of the rent-free period during which the Administrators are not personally liable for rent or other amounts payable by Quintis Leasing under any of its leases; and
- an extension to the convening period of the second meeting of creditors of Quintis Leasing.

If successful, the application would give the Administrators further time to obtain funding or other proposals from any third parties, maximising the possibility of the head leases remaining on foot. This may create opportunities for the Administrators to restructure Quintis Leasing and to maintain the existing structure of the Schemes.

In our view, the success of this further application will depend on how the Court balances the rights and interests of the landlords of the head leases against your rights and interests as an investor.

For this reason, if you have any concerns regarding the effect of a termination of the head lease on the Scheme(s) under which you are an investor, you should consider obtaining independent legal advice and engaging with the Administrators in accordance with the Administrators' circular to investors dated 24 January 2024.

SPL has confirmed to the Administrator that it will continue to supervise and manage all commercial silvicultural activities carried on at each plantation (so far as reasonably possible), in accordance with the terms of the LMAs during the extension period (i.e., 30 January 2024 to 13 February 2024).

SPL is funding the Administrators' fees and costs of making this application so that all stakeholders (including investors) can have further time to consider their position.

The Administrators' application will be heard in the Federal Court of Australia on **Tuesday, 30 January 2024 at 2.15pm AWST**.

For the avoidance of doubt, we confirm that this application is separate to SPL's application to wind up the schemes in the Supreme Court of Western Australia.

#### Next Steps

You may wish to consider:

- providing your views on the upcoming application to the Administrators so your views can be provided to the Court, for the Judge's attention;
- participating in the application that has been filed by the Administrators (as noted above); and/or
- making a proposal to the Administrators in relation to funding Quintis Leasing's liabilities under any of the leases in order to preserve those leases (or any other sale and/or recapitalisation proposal for Quintis Leasing).

We recommend that you obtain independent legal advice about the above options.

If you wish to take any of the steps mentioned above, please contact Jared Palandri of KordaMentha by calling 0474 737 371 or by emailing [jpalandri@kordamentha.com](mailto:jpalandri@kordamentha.com) by no later than 10:00am (AWST) on Monday, 29 January 2024.