

11 January 2018

Dear Grower,

Harvest & Sale of Wood - TFS Sandalwood Project 2002

Sandalwood Properties Ltd (“SPL”), the Responsible Entity for the TFS Sandalwood Project 2002 (“the Project”), hereby provides an update on the sale of the harvested timber from the Project.

We refer to our Grower Update letter of 5 December 2017 in which we provided details regarding the harvest of timber from the Project. As stated in that letter, a total of 26.3 hectares were harvested in Kununurra on behalf of non-electing growers (growers who did not elect to collect their own produce). This wood was advertised for sale by public tender which was completed on 15 December 2017.

Please note that there remains approximately 8 hectares of TFS 2002 non-electing grower trees which are due to be harvested in 2018. These plantations were established in 2003, a year later than the 26.3 hectares harvested in 2017.

The proceeds from the sale of the harvested timber have now been determined. In accordance with the payment terms of the successful tender bid, proceeds will be received by SPL by 12 January 2018. Your proportionate share of the net proceeds is then expected to be provided to you by electronic funds transfer within the first week of February 2018 in accordance with the terms of the Project’s compliance plan.

Summary of Tender Result

SPL as the Responsible Entity marketed and sold the wood via public tender. The tender was advertised domestically and internationally and, in addition, SPL marketed the wood through the Quintis Group’s extensive database of interested users of Indian Sandalwood.

The tender process was overseen by the independent Board members of SPL and managed in accordance with Sale and Harvest Protocols established by the SPL Board to manage the potential conflict of interest within the Quintis Group and to ensure the integrity of the tender process. These Protocols provided that the parties working on the tender on behalf of SPL were separated from those Quintis employees managing the potential buy side of the transaction. This ensured the tender process remained independent for all potential bidders.

SANDALWOOD PROPERTIES LTD ABN 31 093 330 977

THE OLD SWAN BREWERY
LEVEL 2, 171-173 MOUNTS BAY ROAD, PERTH WA 6000
PO BOX 3040, BROADWAY, NEDLANDS WA 6009
T +618 9215 3000 F +618 9215 3090
info@quintis.com.au quintis.com.au

The sales and marketing activities completed by SPL, with the objective of securing the highest practicable price for growers, included the following:

1. SPL directly contacted and provided marketing materials relevant to the tender to 961 global buyers or dealers in sandalwood products;
2. SPL provided the tender particulars to the 18 participants in previous tenders of grower sandalwood in 2014, 2015 and 2016;
3. SPL conducted a press marketing campaign which included advertising in *The Global Times* (China), *The Hindu* newspaper (India), as well as *The Australian* and *The West Australian* (Australia); and
4. SPL conducted a search engine marketing campaign, targeting Chinese buyers in particular.

This activity resulted in 20 expressions of interest from around the world. Three parties inspected the wood at the Quintis' Primary Processing Centre in Kununurra. The Tender resulted in three bids being submitted, two from organisations within Australia and one from India.

The tender was awarded to the organisation offering the highest price. Accordingly, the tender has been awarded to a subsidiary of Quintis Ltd (which is also the parent company of SPL) which provided a combined offer price of A\$3,009,900 (exclusive of GST) or approximately A\$79 per kg (exclusive of GST) (A\$79,000 per tonne) for the estimated 38.1 tonnes of heartwood.

Net Proceeds

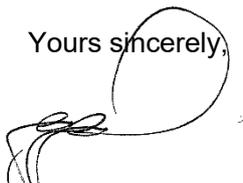
The proceeds from the sale of the Project wood will be divided amongst the remaining growers (less any costs and fees, which will include the harvesting costs and sales and marketing fee) in accordance with their proportionate interest. SPL will also deduct from the net proceeds any outstanding fees, including any deferred fees owing from a grower's proceeds.

A final statement of net proceeds and invoice for deferred fees (if applicable) will be provided with your payment in February. It will also provide details of GST that you received from the proceeds which you will be required to submit to the Australian Taxation Office.

To assist in prompt payment please complete and return the attached form via email to info@quintis.com.au or PO Box 3040 Broadway Nedlands WA 6009. Confirmation will be provided once payment is made.

If you have any questions in relation to the above, please contact our office on (08) 9215 3000.

Yours sincerely,



Greg Gaunt
Chairman
Sandalwood Properties Ltd