

5 February 2024

Dear Investors

ADMINISTRATION OF QUINTIS LEASING PTY LTD (ADMINISTRATORS APPOINTED)

As previously communicated, on 20 December 2023, Richard Tucker and Scott Kershaw of KordaMentha were appointed as Administrators of Quintis Leasing Pty Ltd, a company that is associated with the Schemes. For detailed information and circulars from KordaMentha, please visit the Sandalwood Properties Ltd (SPL) website at www.sandalwoodproperties.com.au.

On 22 December 2023, the Administrators obtained a Federal Court order extending the period of non-liability for rent payments to the landowners of the properties where the Schemes are located through to 30 January 2024. The reason for this extension was to give the Administrators additional time to find alternative funding from third parties to continue the leases (and third parties additional time to consider and prepare such proposals).

Further extension requested and granted

In summary:

- As advised in their latest update, the Administrators had not secured funding or restructure proposals by the expiry of the extension period (30 January 2024), prompting them to apply for a further 14-day extension of the rent-free period.
- The hearing regarding this extension was heard on 30 January 2024, and the Federal Court granted the Administrators' requests to extend the rent-free period until 13 February 2024.
- The Court, having balanced the competing interests of head lessors against the interests of Investors, determined to grant the extensions to allow the Administrators two more weeks to explore potential solutions.
- Please refer to the Circular issued by KordaMentha dated 1 February 2024 for further information.

Note that SPL has funded both the initial extension and the further extension applications made by the Administrators at a cost of over \$150,000 (even though it was not obliged to do so). This decision was made to ensure that Investors had an appropriate opportunity to consider their position and to provide time for an alternative funding proposal to be made. Such proposals could result in the Schemes being able to continue if Investors determined that they wished to do so, notwithstanding the view of SPL, as supported by the independent expert KMPG, that all of the Schemes should be wound up on just and equitable grounds to limit further losses to Investors as a whole.

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Alternative funding proposals

In the six weeks since their appointment, SPL understands that the Administrators have not received a viable funding or restructure proposal from any third parties.

Without a viable alternative funding proposal, it is likely that the Administrators will place Quintis Leasing Pty Ltd into liquidation. As the Administrators and SPL have noted in their previous circulars, this will have a very significant impact on the Schemes.

In the event of the liquidation of Quintis Leasing Pty Ltd, it is likely that the underlying leases will be terminated by the landholders / head lessors who will then reclaim their land and take possession of the trees that are located on their land.

If the landowners terminate the leases, the Schemes will be unable to continue. SPL intends to bring this matter to the Supreme Court of Western Australia's attention in the current Supreme Court application made by SPL to wind up the TFS 2007 – 2016 Schemes.

SPL understands that it is unlikely that any further rent-free extensions will be sought by the Administrators or would be granted by the Federal Court of Australia unless (at least) a draft funding or other restructure proposal is given to the Administrators. Investors or Investor Groups who have a viable restructuring or refinancing solution for the leased properties should contact the Administrator without further delay to discuss their proposal.