

15 August 2023

Edward Thompson
PO Box 90
GERALDTON WA 6530

Ref: G1-1385 / App: 06-0004

Dear Grower

TFS Sandalwood Project 2006

We are writing to provide you with an important update regarding TFS Sandalwood Project 2006 (TFS 2006 Project).

Latest Tender Result – June 2023 Tender

In June 2023, we offered the remaining 145 tonnes of unsold heartwood in stock (logs and butts) to the market. You will recall this wood had previously been offered to the market between May 2022 and April 2023 however no successful sales were achieved – see summary table below.

In light of the market's challenging conditions, we are pleased to share that all 145 tonnes of heartwood have now sold. There were three bidders in the June 2023 tender, two international groups and one domestic. Bids were received across all sale lots and the lots were awarded to the highest bidders. As a result, all stock was sold at an average price of \$21,559 per tonne (or \$21.55 per kg). Notably, butts continue to experience low demand and the average price achieved was \$14.52 per kg of heartwood, whereas the logs achieved an average price of \$29 per kg of heartwood.

Tender Results to Date

The tender results achieved to date reflect an ongoing decline in both market price and demand. To date, the TFS 2006 Project has sold 258 tonnes of heartwood at an average price of \$25 per kg of heartwood.

The results of the TFS 2006 Project tenders to date are summarised in the table below:

Tender Date	Tender Size	Outcome
May 2022	55 tonnes of heartwood	<ul style="list-style-type: none"> No acceptable bids received.
December 2022	195 tonnes of heartwood	<ul style="list-style-type: none"> 58% of the tender sold for an average price of \$29 per kg for logs. No acceptable bids received for Butts.
April 2023	145 tonnes of heartwood	<ul style="list-style-type: none"> No acceptable bids received.
June 2023	145 tonnes of heartwood	<ul style="list-style-type: none"> Tender sold for an average price of \$21.55 per kg. <ul style="list-style-type: none"> Logs sold at an average price of \$29 per kg. Butts sold at an average price of \$14.52 per kg.

Project Position

As advised in our letter from April 2023, the TFS 2006 Project is in a deficit due to costs exceeding the generated income. Prior to the June 2023 Tender sale, the project's deficit was approximately \$3.6 million. However, after factoring in the proceeds from the June 2023 tender sale and its related expenses, this deficit has reduced to approximately \$2 million. Please refer to the statement attached to understand your current position.

Sandalwood Properties has agreed to carry over the negative balance to the next tender, which is expected to be the last for the project. The final position of the project won't be known until the 2023 harvest and sale has completed. It is important to note following the final harvest and sale, any remaining deficit will be the responsibility of the growers.

Harvest Optimisation

Given the current market conditions, it has been determined that the expected revenue generated from the sale of the forest produce for the remainder of the project is unlikely to cover the associated costs, leaving growers in a worse financial position. As a result, the Responsible Entity has made the decision to optimise the harvest of the TFS 2006 Project by implementing the following measures. By implementing these measures, our primary goal is to limit the potential of growers facing further financial decline.

1. The harvest of approximately 90 hectares of low yielding areas will not proceed. The costs associated with harvesting these low yielding areas will not be recovered at today's market price.
2. There will be no further harvesting of butts for the project. Due to the current low demand for butts, the additional cost to extract and store the butts will not be recovered in today's market.

Final Harvest & Sale

The 2023 harvest will be the final harvest for the TFS 2006 project and will be limited to approximately 82 hectares, exclusively targeting the extraction of logs. Any remaining unharvested wood will be restored in accordance with the lease obligations.

It is expected that the next tender for the TFS 2006 Project, offering the logs harvested in 2023, will be released to the market in the last quarter of 2023.

Second Statement & Invoice

Please find attached:

1. Second Statement – this statement summarises your share of proceeds and costs and includes your updated position.
2. GST Payable on Harvest Proceeds – this document details your share of harvest sale proceeds and GST applicable from the wood sold at the June 2023 tender (i.e. 145t of heartwood).
3. Tax Invoice – this invoice details your share of costs, as follows:
 - Harvest and Processing Cost – this relates to the land restoration of the uneconomic areas which will not be harvested.
 - Sales and Marketing Fee – this relates to the wood sold at the June 2023 Tender (i.e. 145t of heartwood) and is 5% of the gross proceeds of sale.
 - Deferred Lease and Management Fee – this relates to lease and management fees deferred between year 1 and 12 of the project. The fee charged is a percentage of the gross proceeds.

As noted on your Second Statement, your current balance is -\$13,012.35. The amount payable by Grower will be carried over to the next statement. There is no payment due at this time.

An updated position will be provided following the results of the next tender.

We will continue to provide updates as there are further developments. In the meantime, if you have any questions, please don't hesitate to contact our team on (08) 6458 4700 or email info@quintis.com.au.

**SECOND STATEMENT:
TFS SANDALWOOD PROJECT 2006 (ARSN 117 134 611)**

Edward Thompson
PO Box 90
GERALDTON WA 6530

Registered for GST: No

Grower Number: G1-1385
Application Number: 06-0004
Application Type: Standard
Total Lots: 5
Total Hectares: 2.5

HARVEST PROCEEDS

Description	Amount (GST Exclusive)	GST	Total (GST Inclusive)
Proceeds Received	\$25,402.23	\$0.00	\$25,402.23
Harvesting Cost (Restoration of Uneconomic areas)	(\$3,061.32)	(\$306.13)	(\$3,367.45)
Selling & Marketing Fee	(\$1,270.11)	(\$127.01)	(\$1,397.12)
Net Proceeds	\$21,070.80	(\$433.14)	\$20,637.66

PROJECT DEDUCTIONS

Description	Amount (GST Exclusive)	GST	Total (GST Inclusive)
Deferred Lease & Management Fees: 21% rate applicable	(\$5,334.47)	(\$533.45)	(\$5,867.92)
Year 13 – 14 Lease Fees	\$0.00	\$0.00	\$0.00
Cost Recovery to Responsible Entity	\$0.00	\$0.00	\$0.00
Total Deductions	(\$5,334.47)	(\$533.45)	(\$5,867.92)

SECOND STATEMENT - AMOUNT PAYABLE TO / (PAYBLE BY) GROWER	\$14,769.74
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BALANCE CARRIED FORWARD FROM FIRST STATEMENT	(\$27,782.09)
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CURRENT AMOUNT PAYABLE TO / (PAYBLE BY) GROWER	(\$13,012.35)
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The amount payable by Grower will be carried over to the next statement. There is no payment due at this time.

We recommend you seek professional advice (including, but not necessarily limited to, accounting and taxation) in relation to the sale proceeds from your sandalwood lots.

**GST PAYABLE ON HARVEST PROCEEDS
TFS SANDALWOOD PROJECT 2006 (ARSN 117 134 611)**

Supplier:

Edward Thompson
PO Box 90
GERALDTON WA 6530

Grower Number: G1-1385
Application Number: 06-0004

Registered for GST: No

Description of Supplies

	Amount (GST Exclusive)	GST	Total (GST Inclusive)
Proceeds – GST Applicable	\$19,246.53	\$1,924.65	\$21,171.18
Proceeds – GST Not Applicable	\$6,155.70	\$0.00	\$6,155.70
Total	\$25,402.23	\$1,924.65	\$27,326.88
GST Withheld = Yes		\$1,924.65	
Total Proceeds Payable to Supplier	\$25,402.23	\$0.00	\$25,402.23

If the supplier is not registered for GST (or has not provided GST registration details) then the GST portion of the sale proceeds has been withheld and paid directly to the Australian Taxation Office.

We recommend you seek professional advice (including, but not necessarily limited to, accounting and taxation) in relation to the sale proceeds from your sandalwood lots.



QUINTIS
SANDALWOOD

Sandalwood Properties Ltd

ABN 31 093 330 977

TAX INVOICE

Invoice Date: 26/07/2023
Invoice No.: INV-100542
Date Due: 26/07/2023

Project: TFS Sandalwood Project 2006
Application No: 06-0004
Grower No: G1-1385

Billed To: Edward Thompson
PO Box 90,
GERALDTON, WA, 6530

Description	Fee	GST	TOTAL
Harvest and Processing Costs	\$3,061.32	\$306.13	\$3,367.45
Sales and Marketing Fee	\$1,270.11	\$127.01	\$1,397.12
Deferred Fee	\$5,334.47	\$533.45	\$5,867.92
	Total AUD Incl. GST:		\$10,632.49
	Total GST:		\$966.59