

MIS Investor Update

September 2022



QUINTIS
SANDALWOOD

Plantation Activities

The 2021-2022 wet season officially came to an end between March and April this year. The season provided average rainfalls across the Kununurra region in Western Australia and below average rainfall across the Douglas Daly in the Northern Territory and Dalbeg in Queensland. Both Douglas Daly and Dalbeg regions experienced unseasonable rainfall during the dry season.

The relatively cold conditions experienced in the early part of the dry season have contributed to lower than average insect pressure in the plantations. Nonetheless, our pest and disease monitoring teams remain vigilant for incursions throughout the estate.

The post wet season operations are in full swing. Activities include irrigation, weed control, pest and disease treatment of insect outbreaks and regular monitoring, as well as the all important fire management program. Weed control is crucial at this time of year as weeds could impede the flow of irrigation water through the plantations and increases the fire risk.

The Independent Forester appointed for the projects visited the plantations in May this year. His report will be published in the annual project reports which will be available on our website in October.



Grading firebreaks between plantation and surrounding land

Recent Tender Results

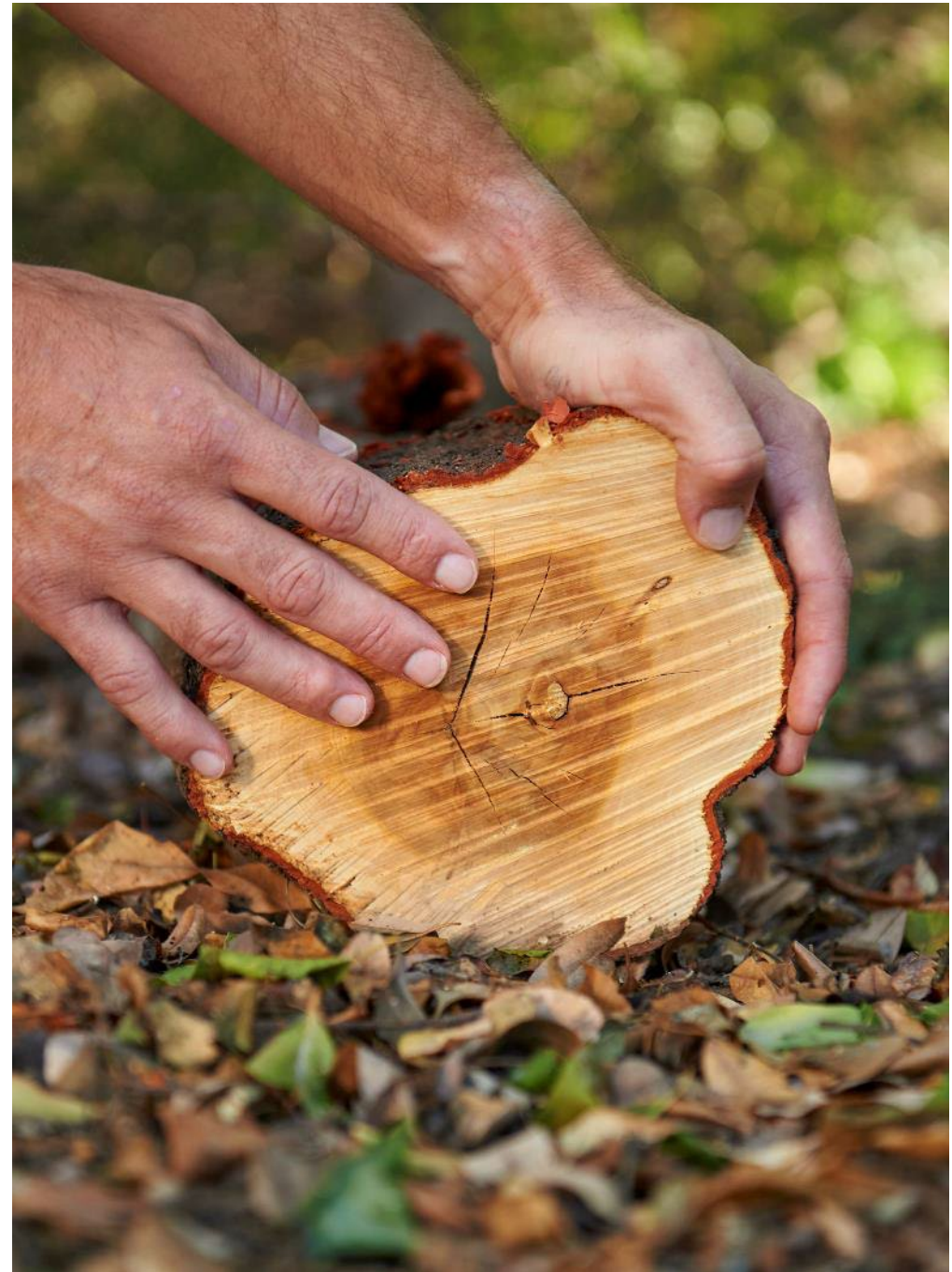
There have been two tenders of wood harvested from MIS Projects so far this year:

1. In January 2022, sandalwood owned by the TFS 2005 Project was sold by public tender for a total of \$7m. There were five different successful bidders and the average price achieved was \$42,000 per tonne, a 15% decrease from the previous tender.
2. A further tender was held in June 2022 for part of the TFS 2006 Project. The bids received were lower than anticipated and were not accepted. As there are further harvests of this Project, the unsold wood will be carried forward and offered to the market at another tender later this year.

These results are disappointing and likely to be due to multiple factors, including:

- The ongoing embargo in place by China, a large market for sandalwood, banning the import of raw timber logs from Australia.
- An increasing volume of sandalwood for sale (see next page).
- Global supply chain issues which have added complexity and significant costs to the transport of goods. As an example, the cost of a shipping container has increased 5x since 2021.

There are currently two tenders scheduled for the remainder of the year and we will continue to keep Growers updated on the results.



Current Market Conditions

Since 2017, the average price achieved at the tenders has decreased by around 50%. Further, at the most recent tender, the bids received were rejected due to lower than anticipated prices and will be re-offered to market later in 2022.

While the price has steadily declined, there has been an increase in the number of bidders at the tenders, with several being from outside Australia. Huntley Management Limited (the Responsible Entity of the TFS 2004 and 2005 projects) reported that the February 2021 tender attracted successful bids from 4 buyers and the January 2022 tender attracted successful bids from 5 buyers (with 3 international buyers).

Some of the reasons for the decline in price are likely to be temporary, including the impact of the COVID pandemic and the increased cost of transportation. The lower demand is also attributable to the absence of buyers from China, likely due to the Chinese government's ongoing ban on importing Australian timber; it is difficult to predict how long this ban will be in effect.

A key factor in the decline in price is the increase in supply from the Projects, a trend that is likely to accelerate over the next several years. The total offered to market in 2017 was approximately 35 tonnes. This compares to a total in 2021 of 166 tonnes, with potentially double that volume available in 2022.

As the Responsible Entity for Projects from TFS 2006 to TFS 2016, we continue to closely monitor these market movements. We also work closely with our sales agent, Smith Agri International, to ensure that the harvested wood is marketed as widely as possible. Our objective remains to maximise returns for Growers and to deliver the best possible outcome in these challenging market conditions.



2022 Harvest

Our annual harvest program is underway for another year. Over 50,000 sandalwood trees will be harvested on behalf for investors in the Premium 2004 and TFS 2006 projects. These trees were planted in 2007 and are now 15 years old.

Due to a significant portion of the heartwood being found below ground (around 30%), the root-ball (butt) is removed in the harvest process adding extra complexity to a traditional harvesting process. The root-ball is extracted using customised harvest machines designed to remove the central root system with minimal losses of heartwood.

> [Watch our harvest team in action](#)



New Planting

In 2022 Quintis established a new plantation in Kununurra, Western Australia. Not only is this the company's first planting in five years, but it is also the first time the company has established a second rotation Indian sandalwood plantation.

Packsaddle 385 was previously planted between 2001 and 2004 and harvested between 2016 and 2021.

The newly planted sandalwood seedlings were sourced from our seed orchards, which holds stock from our tree breeding programs. More than 165,000 Indian sandalwood trees will be planted across 326 hectares together with 476,000 host trees.

Despite current market challenges, Quintis is committed to the long term supply of sustainable grown Indian sandalwood - contributing significant social, economic and environment benefits to Australia.

> [Watch our 2022 Establishment video](#)



Proudly FSC® & RW Certified

Quintis has been recognised as industry-leading by achieving **Forest Stewardship Council® (FSC®)** and **Responsible Wood (RW)** certification for forest management.

The FSC is the world's most trusted and stringent standard for sustainable forest management and aims to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

Responsible Wood ensures Australian forest sustainability through certification-based compliance.

Receiving these third-party endorsements demonstrates Quintis' deep and ongoing commitment to the highest global standard of sustainable and ethical forestry plantation management.

Quintis has invested significant time and resources into achieving these accreditations and our view is that this will differentiate Quintis managed sandalwood and potentially increase the appeal to buyers.

➤ **View our sustainability report: [Quintis Sustainability Report 2021](#)**



The Benefits of Indian Sandalwood

First-of-its-kind clinical study reveals power of Indian sandalwood in protecting skin against environmental damage

New clinical research published in [Cosmetics Journal](#) has reinforced that Indian sandalwood oil is a powerful antioxidant and offers protection against blue light damage, after 2021 cellular research found it to be more potent than lipophilic antioxidant vitamin E (alpha tocopherol).

The study is the first clinical trial proving that Indian sandalwood oil at a concentration between 1% and 10%, protects the skin against the oxidative stress induced by ambient dust and blue light exposure.

“The clinical trial reinforces our previous peer-reviewed cellular research, that found Indian sandalwood oil protects against oxidative stress in vitro. The result in vivo showed skin oxidation to be lower when treated with Indian sandalwood oil when compared to a-tocopherol,” explained Dhanushka Hettiarachchi, Ph.D., Technical Products Specialist for Quintis.

[>Read full article here](#)



Reminders

EXPERT FORESTER'S REPORT

Each year we provide you with a report on your plantations from an Independent Expert Forester. The Independent Expert visited and assessed the MIS plantations in May this year. His report is included in the annual Project Accounts which will be finalised in October. These Project Accounts are published for all Growers and lodged with ASIC.

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To ensure you are kept fully informed and receive our updates in a timely manner, we encourage you to update us if your contact details change. If you are still receiving correspondence by mail, you can update your mailing preference to electronic by emailing info@quintis.com.au.

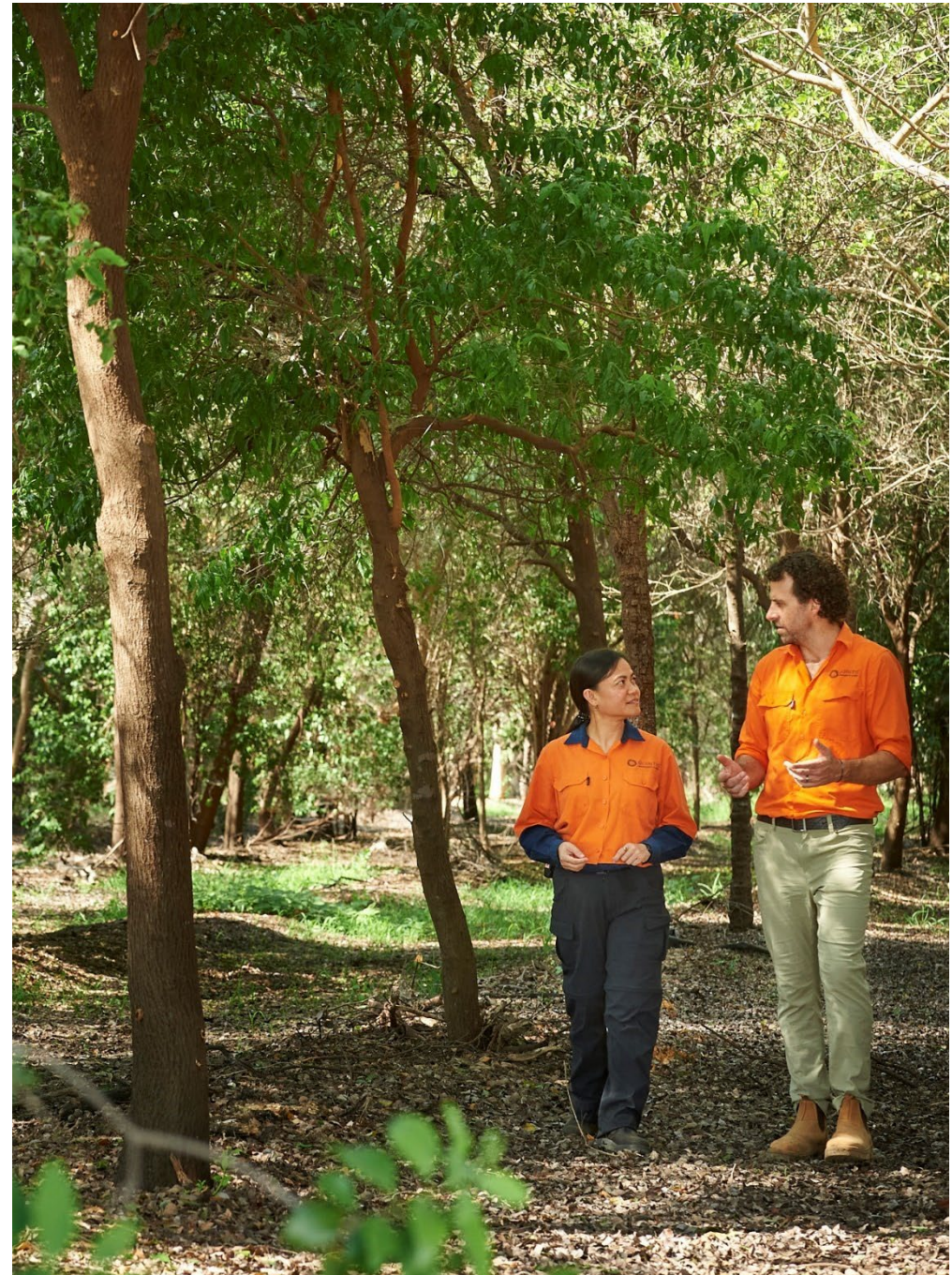
Useful Links

[Grower News & Updates](#)

[Policies & Forms](#)

[Project Information](#)

[Quintis Forestry Management](#)





Thank you for your time. If you have any questions about this update or wish to discuss your investment, please contact our Grower Team on +61 8 6458 4700 or email info@quintis.com.au.

