



QUINTIS®
SANDALWOOD ALBUM

MIS INVESTOR UPDATE

January 2020

WE ARE THE WORLD'S ONLY TRUSTED GUARDIAN OF THIS
PRECIOUS SUPER-INGREDIENT, SANDALWOOD ALBUM.

1. QUINTIS - AUSTRALIA FIRE UPDATE

Australia is suffering through one of the worst fire seasons on record. This has caused tragedy and hardship for many families and Quintis and its employees offer our thoughts and prayers to everyone affected by this tragic event.

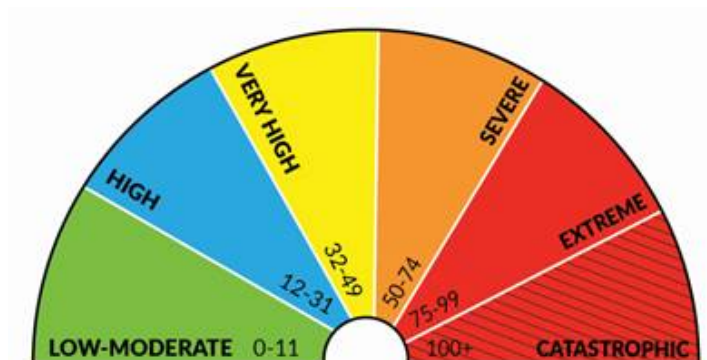
In relation to your investments, Quintis can confirm that no fires have occurred on any Quintis managed properties. There were two fires in November in Katherine in the Northern Territory that Quintis staff attended as part of community liaison efforts with local brigades, however neither threatened Quintis managed property.

The map below shows how the fire danger season is different for temperate (South) and tropical (North) Australia. Quintis' plantations are located in the top northern section and are now out of the traditional fire danger season.



Current fire danger ratings around the Quintis plantations are as follows:

- Northern Territory: Low-moderate (Green - which is the lowest rating on the scale from 1 to 6).
- Queensland: High (Blue – which is the second lowest rating).
- Western Australia: Low-moderate (Green).



2. CORPORATE UPDATE

The past year has seen significant changes at Quintis with the implementation of Quintis' new strategic plan. Quintis' business model is focussed on efficiently maximising the yield from all Sandalwood plantations and maximising the sales value of the harvest proceeds. As we own a substantial portion of the Sandalwood estate, this focus is perfectly aligned with your interests.

We invite you to watch our Corporate Video at:

<https://quintis.com.au/corporate/plantation-investors/quintis-corporate-video/>

This short film illustrates the breadth of the Quintis business and introduces the key areas in which our business is transforming. Part of this evolution is to introduce the START values in all that we do:

Safety: Zero harm to ourselves, our colleagues, our stakeholders and our environment is at the forefront of every decision we will make and action we will take.

Trust: Doing what we say we will do and supporting each other to achieve our goals.

Accountability: Holding ourselves and each other to account for our results and the way we conduct ourselves and our business.

Respect: Treating all colleagues, investors, customers and suppliers with respect.

Transparency: Providing context and openness in our dealings with others.



3. TFS 2003 PROJECT – PLANTATION HARVEST AND SALE

The TFS 2003 project was planted in 2003 and 2004 and harvested in 2018 and 2019.

Smith Agri International Pty Ltd, the sales and marketing agent for the TFS 2003 Project, completed the sale of these harvests across two separate tenders, the first in August 2019 and the second in December 2019.

The Sandalwood plantation estate managed by Quintis Forestry comprises the world's largest sustainably grown Indian Sandalwood plantations, a fact that drew buyer interest from the active global sandalwood supply-chain, including traders, processors, distributors and end users.

The grower-owned wood was sold in a total of fourteen parcels containing logs and butts from the harvests. Smith Agri has reported that over twenty-five bids were received from a broad range of domestic and international parties.

There were four successful bidders across the two tenders. Three independent buyers (two of which are international buyers) acquired a total of nine parcels. Quintis acquired five parcels. The Responsible Entity, Huntley Management Limited, has reported that the sale and marketing process was extensive and transparent.

As reported by the independent Responsible Entity, the Project achieved total gross sale proceeds of \$8.4 million and the average price achieved for the Project was approximately \$78,000 per tonne of heartwood.



The 2018 and 2019 harvest of approximately 12,000 trees from the TFS 2003 Project was completed by Quintis Forestry's specialist and experienced harvesting team, using bespoke harvesting equipment to maximise the heartwood yield.

4. PLANTATION MAINTENANCE UPDATE

Over the last year our forestry team has been busy maintaining the plantations. This involves the following:

Weed Control - Each block is assessed regularly for weed growth and impact and weed control is tailored to each area. A mixture of weed control techniques (including chemical sprays and slashing) are used to ensure the most efficient and effective protection for the plantations.

Pruning - Where appropriate Sandalwood trees have been form pruned to promote vertical growth and a single stem, which from our research, provides strong potential for heartwood development.

Irrigation - Plantations are either drip or flood irrigated. To maintain satisfactory growth the trees are regularly watered throughout the dry season. Both flood and drip systems need regular maintenance which has been carried out to existing water supply infrastructure and drip lines have been repaired where needed.

If the location is close to a river, rats can be an issue and cause damage to irrigation lines. Rat baits are used in and around these areas where necessary to reduce the issue.

During the wet season rainfall tends to meet the water requirements of the trees. When required this is supplemented with irrigation.

Controlling Pests and Diseases - Forestry Specialists conduct in-field monitoring and identification of pests on a weekly basis.

Where required, there has been injections of Shield insecticide to prevent damage from fig leaf beetle in the sandalwood and this has kept numbers of beetle and larvae to a minimum. "Shield" is a systemic insecticide which protects the sandalwood for up to 2 years from fig leaf beetles.

Insecticides have been applied for other pests if required, following the Forestry Specialists findings and prescriptions.

Fire Management - Regular grading and spraying of the fire breaks and roads around plantations have been carried out and controlled burns around the farms are conducted where appropriate according to the fire management plan to reduce the risk from an uncontrolled burn later in the season.

The Forestry team have been trained by the local Fire Service and a fire management strategy is in place and is followed for all plantations.



Form pruning at HCJB Block 1 (Kununurra, WA) (TFS 2009 Project)
Photo date: 1.10.19.



Flood irrigation at Airport Block 21D (Kununurra, WA) (TFS 2008 Project)
Photo date: 1.10.19.

PLANTATION DRONE FOOTAGE

Drone footage of the MIS plantations have been captured and are now available for growers to view on our website. These short videos provide Growers with an appreciation of their investment.

[Click here to view](#)

5. SALES AND MARKETING UPDATE

Sandalwood derives its value from the heartwood which is contained within the trunk, butt and major branches. It is yellow-brown to red in colour and it contains the Sandalwood oil, which gives the tree its value either as timber or as oil. Sandalwood oil is extracted from the heartwood of the trees, and both the wood and oil produce a distinctive fragrance that has been highly valued for centuries.

Traditional sources of demand stem from cultural and religious origins including religious and artistic carvings and traditional medicine. Newer sources of demand include pharmaceutical, aromatherapy, cosmetics, fragrance and fine furniture industries.

There have been several key and positive developments over the last year:

- Successful tenders of the TFS 2003 Project forest produce. A total of approximately 12,000 trees and over 100 tonnes of heartwood were sold during the last 6 months, raising sales proceeds of \$8.4m for MIS growers in the Project.
- Increased competition for MIS grower wood. The tender of the TFS 2003 Project attracted bids from multiple parties, including international groups from China and India. MIS grower wood has been offered to the global market for over five years and this is the first year in which international buyers have successfully acquired wood. This broadening and globalisation of the network of buyers of MIS grower wood is a positive trend for all MIS investors.
- The Quintis Group continually engages with manufacturers and retailers of Sandalwood products worldwide in order to stimulate interest and demand generally. In the past year, the Quintis Group has significantly expanded its sales and marketing globally and now has a team of sales and business development professionals in key markets of China, Europe, India, Japan, Korea and the USA. These industry professionals will work to build demand and broaden supply of Sandalwood from the Quintis-managed estate.

6. STAFF UPDATE

There have been several additions to management team of the Quintis Group over the last year, including a number of new professionals to the marketing team, as mentioned above.

A key addition to our senior leadership team is Mr Steve Hindley, who started as General Manager of Forestry in July 2019. Quintis Forestry is delighted to have attracted an executive of Steve's calibre; he has proven forestry, academic and leadership skills and has significant expertise in forestry management, the timber industry and end markets.

Most recently Steve has been the General Manager - Tasman Pine Forests Ltd (a Sumitomo Forestry Co subsidiary) which manages a forest estate of approximately 36,200 hectares. In that role he was involved in establishing the management and operating systems as well as the supervision and management of the entire plantation estate.

During his career Steve has worked in various roles in New Zealand, Ecuador, Singapore and Japan spanning forestry management and end markets. Steve has a Bachelor of Forestry Science from the University of Canterbury and Executive MBA from the Massey University, Wellington.

7. QUINTIS OFFICE MOVE

Quintis' head office recently moved from the Old Swan Brewery to new offices in West Perth. Our new home provides a modern open-plan work environment for the first time. This will promote more teamwork and better communication, both of which are important parts of any successful business.

We are located in the centre of West Perth at:


Level 1, 87 Colin Street
West Perth, WA 6005

Our Postal Address has been updated to:

PO Box 260
West Perth, WA 6872

You can contact us by:

Telephone: +61 8 6458 4700
Fax: +61 8 6323 3350
Email: info@quintis.com.au



Happy New Year from all the team at Quintis
We wish you a happy and healthy 2020