



QUINTIS®  
SANDALWOOD ALBUM

## MIS GENERAL UPDATE

May 2019

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

## 1. VIDEO FOOTAGE OF YOUR PLANTATION

We understand that your plantations are established in remote parts of our country and it can be difficult to visit them. We are pleased to provide investors, for the first time, with video footage of all the plantations established in Western Australia. We hope this footage, captured by drones in March and April of this year, provides you with insight into the scale of the plantations and the development of your trees.

These unique images offer insight for all investors in Projects 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013.

Footage of the Projects planted in the Northern Territory and Queensland will be taken over the next few months and is expected to be available by the end of July 2019.

<https://quintis.com.au/corporate/plantation-investors/mis-plantation-drone-footage/>

## 2. PROJECT ACCOUNTS

The FY17 and FY18 Project accounts will be available to view and download from the Quintis website shortly. You will be sent an email providing the link to the accounts once they have been uploaded to the website.

Unlike in previous years, the valuation of the Indian Sandalwood trees is no longer included in the audited financial statements. This is because the trees belong to you, the grower, and are not assets owned by the Project.

This is a complicated area of accounting and Sandalwood Properties Ltd (“SPL”), the Responsible Entity for your Project, has made the change having received legal advice from Piper Alderman and reviewed the practices of other industry operators, such as Macquarie Bank and Rewards Group. EY, as auditor of SPL, has also provided an unqualified audit opinion on the Project accounts.

As the Project accounts no longer contain a valuation of your trees, we will provide you with an estimate of the key assumptions required to assess the future value of your investment. Detail on how to access this information will be included with the Project accounts email.

### **3. PLANTATION SALE**

We are pleased to announce that we have sold a substantial plantation of Indian Sandalwood to a new institutional investor. The new investor, a US-based fund manager focussed on forestry and agricultural investments, has appointed Quintis Forestry to manage the two-year old plantation through to harvest.

All institutional investors undertake a significant amount of due diligence as part of their investment decision. The completion of this transaction illustrates confidence in the capabilities and experience of Quintis and the potential returns from an investment in Indian Sandalwood.

This positive development is a strong signal of “business-as-usual” at Quintis after the corporate issues of the last couple of years. While Quintis’s new business model is not focussed or dependent on plantation sales, we will continue to explore opportunities to attract new investors to Indian Sandalwood.

### **4. PLANTATION MAINTENANCE UPDATE**

Indian Sandalwood flourishes during the heat and humidity of the Northern Australian summer with the conditions stimulating growth from the Sandalwood and their host trees.

Weeds and pests also love these hot humid conditions and the plantations can have significant weed loads by the end of the wet season. This needs to be promptly managed as the weeds (and the pests that accompany them) provide a threat to the health of the Sandalwood, as well as a significant fire risk as the dry season commences.

Weed and pest management operations have recommenced on all Quintis-managed plantations following the wet season. Weeds within the rows of trees are controlled by a combination of mechanical and chemical methods:

- Specialised machinery enables herbicides to be used in close proximity to Sandalwood and their hosts without damage;
- Weeds between the tree rows are controlled by slashing or shrouded sprays of broad-spectrum herbicides; and
- Weeds within the rows of trees are controlled by careful application of herbicide to the base of the trees, creating a clean strip.

Potential insect and disease problems are managed proactively by a formal program of surveillance and monitoring. Termite traps and spraying are used to control insect infestations and fungicides are used to control any fungal diseases. Insecticide can be applied by either a ground rig or by aircraft. In some cases, we apply insecticides to the soil as a systemic control that the tree takes up into its leaves.

Firebreaks and our network of access tracks require significant maintenance at this time of year. We are in the process of clearing and performing controlled burning of firebreaks where appropriate.



Weed control: Slash/Spraying – Wood Block 13 (Qld, 2015 planting) – March 2019

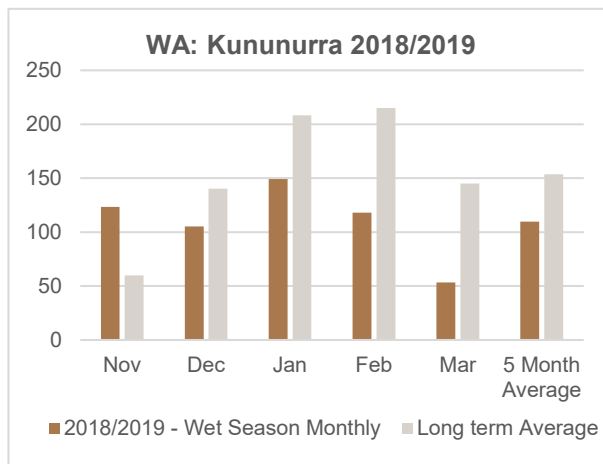


Large Sandalwood Tree – Kimptons 53A (WA, 2011 Planting) – March 2019

## 5. WEATHER UPDATE

### 5.1 WET SEASON RAINFALL (NOVEMBER TO MARCH)

The wet season has varied considerably over Northern Australia. Kununurra in Western Australia and Katherine in the Northern Territory received lower than average levels of rainfall and higher than average temperatures. In contrast, parts of Queensland received records levels of rainfall and flooding.

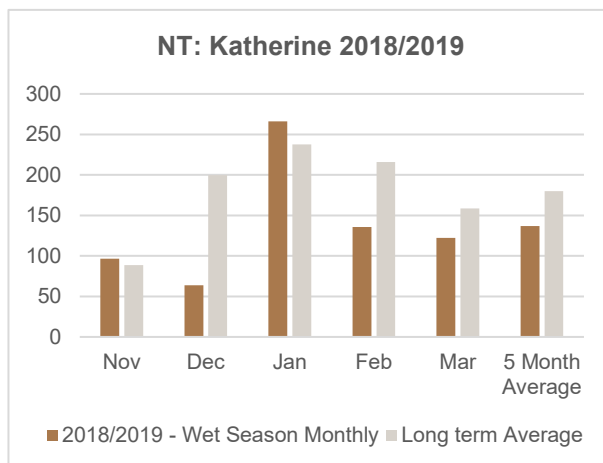


Rainfall was 30% below average for the Kununurra area. It was the fifth-driest summer on record, and driest since 2004-05 for WA.

Daytime temperatures were above average for most of the State. For the State as a whole, the mean maximum temperature was the highest on record for summer.

The lower levels of rainfall were sufficient for the requirements of the Sandalwood trees, so irrigation was not required during this period.

Plantations in the Ord Valley in Kununurra are irrigated from Lake Argyle, the largest freshwater storage on mainland Australia.

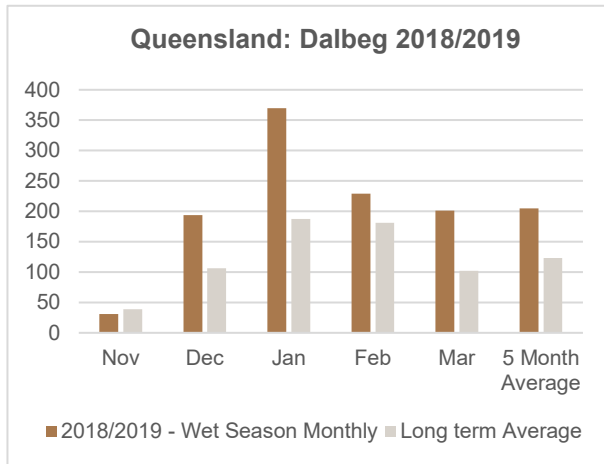


Rainfall was 25% below average for the Katherine region. Territory-wide, rainfall was also below average with limited monsoonal activity across the Top End for the wet season.

The summer months of December to February were the warmest in 109 years of record across the Territory.

Due to the lower rainfall, our plantations at Mataranka have been regularly irrigated during the wet season and irrigation at our Katherine and Douglas Daly plantations began irrigation in February.

Irrigation for our plantations in the NT is sourced from the Ooloo Dolostone aquifer and the Tindal aquifer.



Monsoonal conditions for Northern Queensland led to above average rainfall for the period and resulted in flooding (see below) in some areas. Rainfall was 66% above average for the Dalbeg region, where the Quintis-managed plantations are located.

Daytime temperatures were much cooler than usual over the north east.

Irrigation for our Queensland plantations is from the Burdekin Falls dam, which is the largest dam in Queensland.

## 5.2 QUEENSLAND – MONSOONAL ACTIVITY

In February, there was heavy monsoonal rainfall which resulted in flooding in northwest Queensland, particularly in and around the Townsville area. Some Queensland Bureau of Meteorology sites had their highest total February rainfall on record with over 1,000mm received over a seven-day period.

Sandalwood does not thrive in long periods of inundation. Further, inadequately prepared sites and infrastructure can be wrecked by flood events, with topsoil, access routes and equipment literally washed away.

Fortunately, the heaviest rains did not fall in our plantation locations and, further, Quintis had invested considerably in preparing for the wet season. Our well-designed and maintained drainage systems ensured that the rains cleared quickly from the plantations. Erosion issues around the plantations were dealt with quickly by our forestry operations team.

If you have any other queries about your investment, please contact us at (08) 9215 3000 or [info@quintis.com.au](mailto:info@quintis.com.au)