



MIS Investor Update

June 2023



QUINTIS
SANDALWOOD



Tender & Market Update



MIS - Tender Update

As previously reported, the market for Indian sandalwood sold at tender has been declining over the past few years and unfortunately this trend has continued to deteriorate:

- A tender held in November 2022 (results released in January 2023) achieved an average price of \$28,000 per tonne for heartwood.
- A further tender held in January 2023 only sold 58% of the total heartwood available. Of the portion sold, an average price of \$29,000 per tonne for heartwood was achieved. The unsold logs were a result of either rejected bids due to an unacceptable price or the inability of the buyer to complete the sale. There were no bids received for butts.
- The most recent tender closed in April 2023. Only two bids were received (for approximately 57% of the heartwood at tender), however, disappointingly these bids were low and would have resulted in further losses to investors and so were rejected.

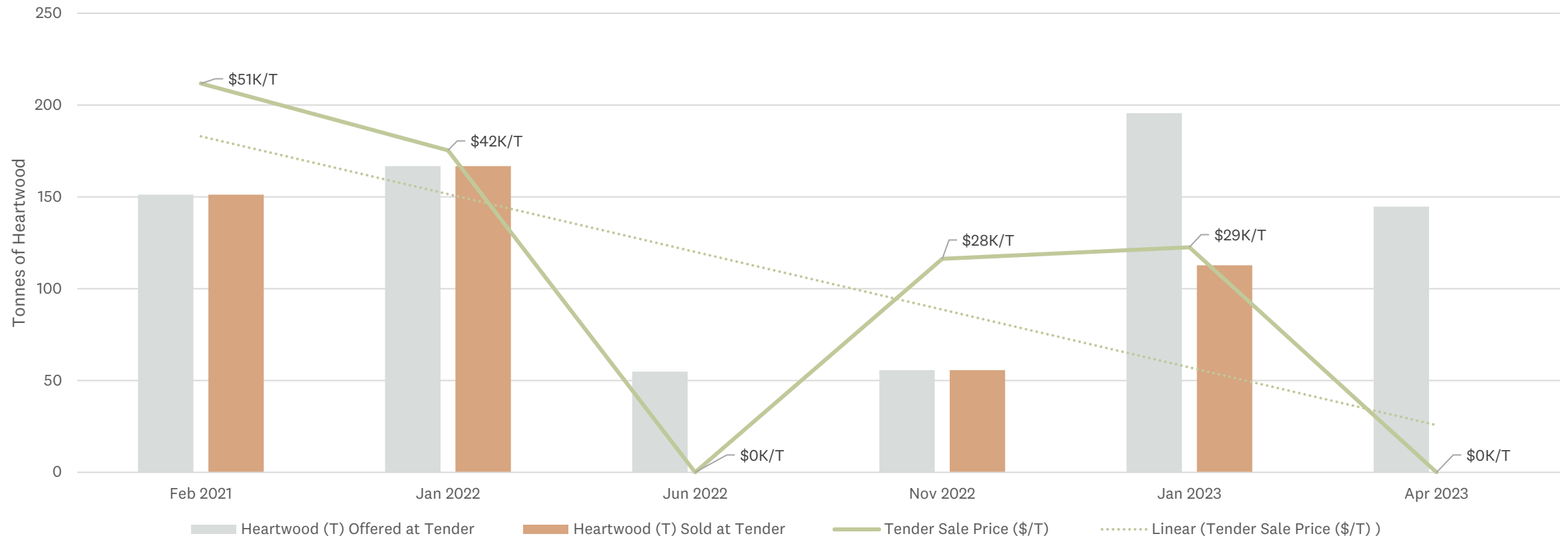
The unsold wood in stock was offered to the market again in June 2023. The tender will conclude at the end of June, with results expected in July.





MIS - Tender Update

The graph below details the heartwood offered at tender, heartwood sold, and the price achieved since 2021:



MIS - Tender Update

Feedback received by the sales agent from potential buyers have included:

- “Oil prices are the lowest we have ever seen.”
- “The market is too low to participate in.”
- “We have not been able to monetise already processed inventory.”
- “Little demand for wood and oil globally.”
- “Have not been able to sell existing stockpiles of album wood, so will not be participating.”
- “Current oil prices are the lowest on record.”

The above feedback, as received from multiple sources, references that the global Indian sandalwood oil market is at the lowest point seen and in conjunction with the cost impacts of freight and processing expenses, are directly inhibiting purchasing activities. Further, several groups have advised that they have ceased processing and distilling activities until Indian sandalwood oil prices normalise.



Market Challenges

The decline in the sandalwood market price can be attributed to multiple factors. As previously reported, these include:

- Decreasing prices for sandalwood oil globally.
- The increasing supply of Indian sandalwood from the Projects, a trend that is likely to accelerate over the next few years.
- China's embargo on Australian raw timber imports which has been in place since December 2020. Quintis welcomes the recent announcement by the Chinese Ambassador, stating that timber imports from Australia will resume immediately. However, the short to medium-term impact remains unknown.
- Increase in shipping and transport costs from previous years, although there are signs this is starting to improve.
- Additional logistic disruptions and inflated costs relating to the closure of the Great Northern Highway following the Kimberley floods from earlier this year (see page 9).



MIS – Project Outcomes

One of the most pressing issues is the oversupply of sandalwood coming to market. The upcoming Projects will significantly increase the supply of sandalwood, adding to the current surplus of the commodity in the market. This oversupply will most likely continue to drive down prices and make it difficult for investors to achieve a return on their investment.

Given the current demand and pricing, there is a risk to the MIS Projects that the potential revenue will not cover the expenses, resulting in Growers being in a loss position. Unfortunately, the last two Projects (not managed by Quintis) have resulted in invoices being sent to investors to cover the final costs of the Project.

While we cannot predict the future of the sandalwood market with certainty, we understand that the current market conditions are not what investors had hoped for, and we are committed to investigating options to minimise potential losses.

We will be contacting each Project directly to discuss the options moving forward.





Plantations & Operations



Kimberley Floods

Earlier this year, the Kimberley region of Western Australia experienced one of the worst floods in its history. Heavy rainfall resulted in rising water levels, leading to extensive flooding of roads, bridges, and towns.

The impact of the Kimberley floods on the region's economy has been significant. The closure and destruction of the Great Northern Highway and the Fitzroy Crossing Bridge has had an impact on transportation and logistics in the region. The bridge was a crucial link in the transportation network, providing a route for freight and passengers between Western Australia and the Northern Territory. This has caused delays and increased costs for businesses, including Quintis.

The Western Australian Government has committed to rebuilding the bridge which is expected to take up to 18 months to complete.

Kununurra, the home to more than 3,000 hectares of sandalwood trees, has remained directly unaffected by the floods. However, the plantations in the area will continue to be closely monitored for any potential impacts from the heavy rains.

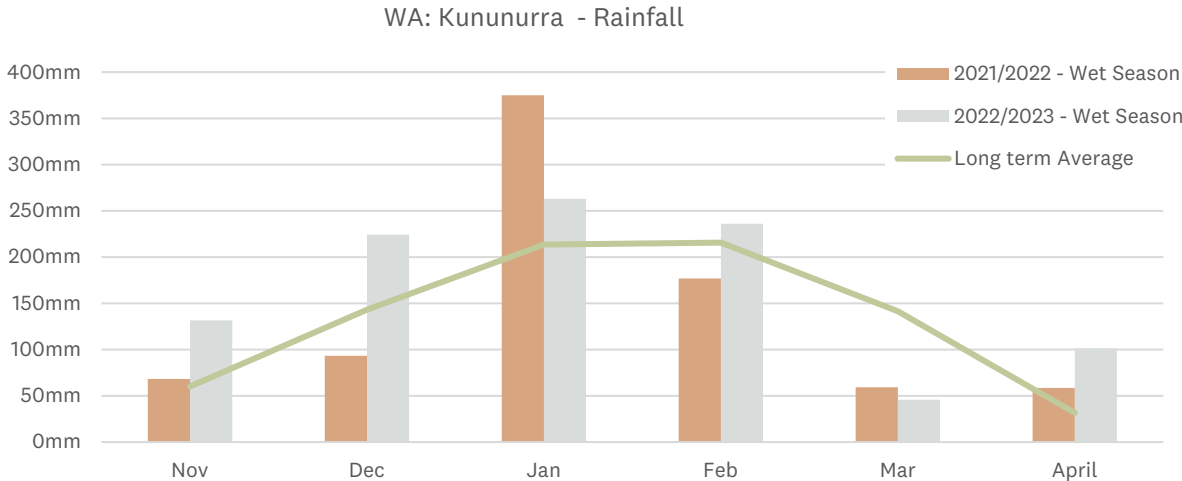


Image Source: nit.com.au

Wet Season – Kununurra WA

The wet season in Kununurra typically occurs from November to April, with the heaviest rainfall usually occurring in January and February. The chart below shows an increase in rainfall for the 2022/2023 wet season compared to the previous season and the long term average.

Most of the plantations in Kununurra rely on flood irrigation during the dry season and have been laser levelled to facilitate water flow and prevent prolonged waterlogging of the trees. However, the effects of the recent heavy rainfall on these plantations may not be immediately apparent and will continue to be monitored.



Plantation Management

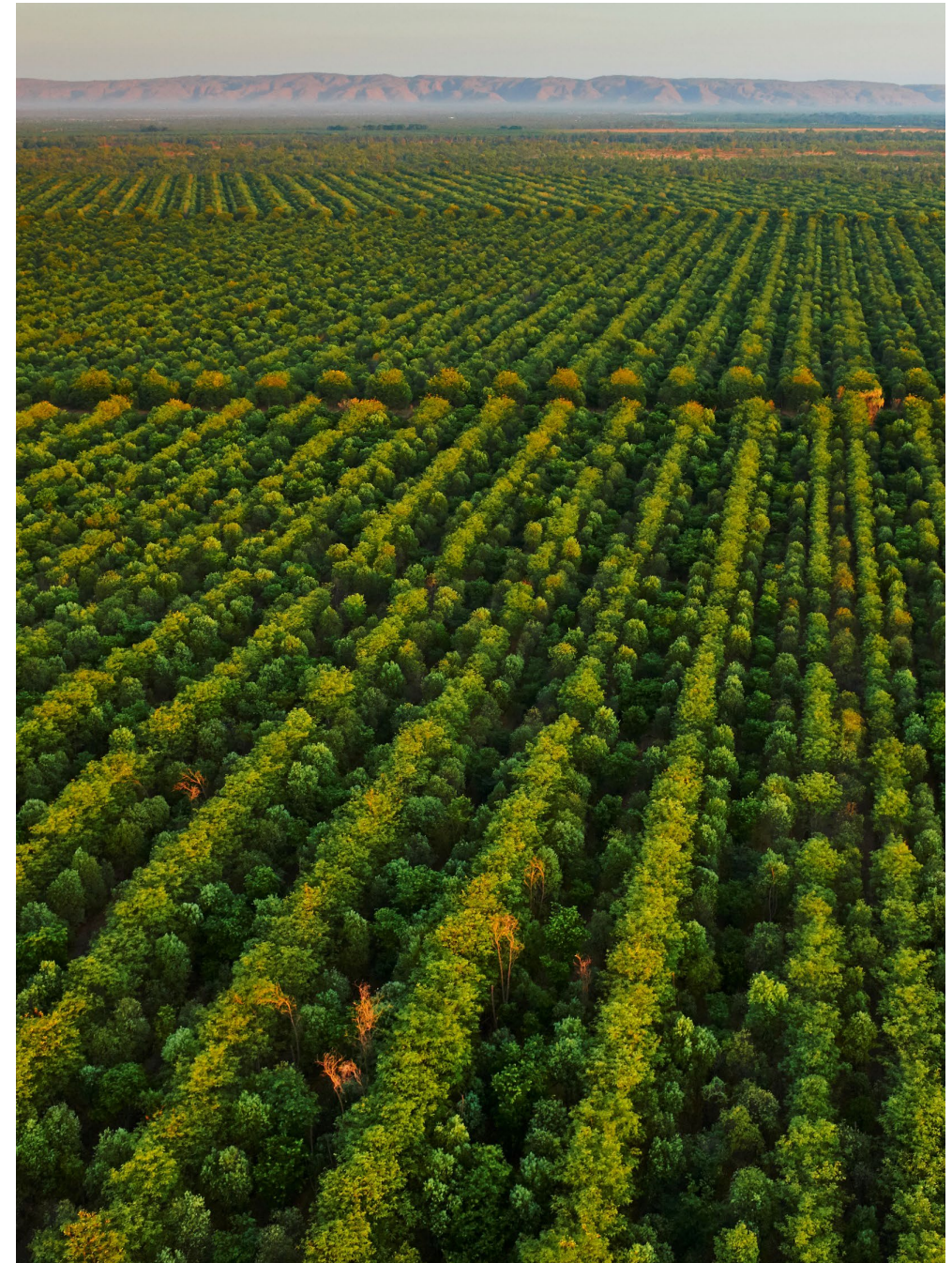
The post wet season operations are occurring across our estate, which include irrigation, weed control, pest and disease monitoring and the fire management program.

Weed control is particularly crucial at this time of year, as the end of the wet season results in a high weed load, which increases competition for water and nutrients and poses a fire risk.

Pest and disease monitoring is an ongoing process, and pesticides are applied where required, following the Forestry Specialists findings and prescriptions.

Each plantation follows a tailored irrigation schedule, which is adjusted based on the seasons. At the start of the wet season, irrigation is reduced and reinstated at the commencement of the dry season as rainfall reduces.

During the dry season, there is a higher risk of fires, making preventive fire maintenance critical. This maintenance is conducted in accordance with fire management plans and significant attention is given to maintaining firebreaks and access tracks.





Reminders & Useful Links



Reminders

GO ELECTRONIC

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.

PROJECT PERFORMANCE ASSUMPTIONS

Quintis provides an estimate of the key assumptions and a potential range of the future values of your investment. In order to obtain this information, please email info@quintis.com.au or contact us on +61 8 6458 4700.

PROJECT ACCOUNTS

The Project accounts are available to view and download from our website. The accounts include a status report on the health of the plantations by an independent expert forester. To access the accounts, please select your project in the [MIS Retail Investor](#) section of our website.

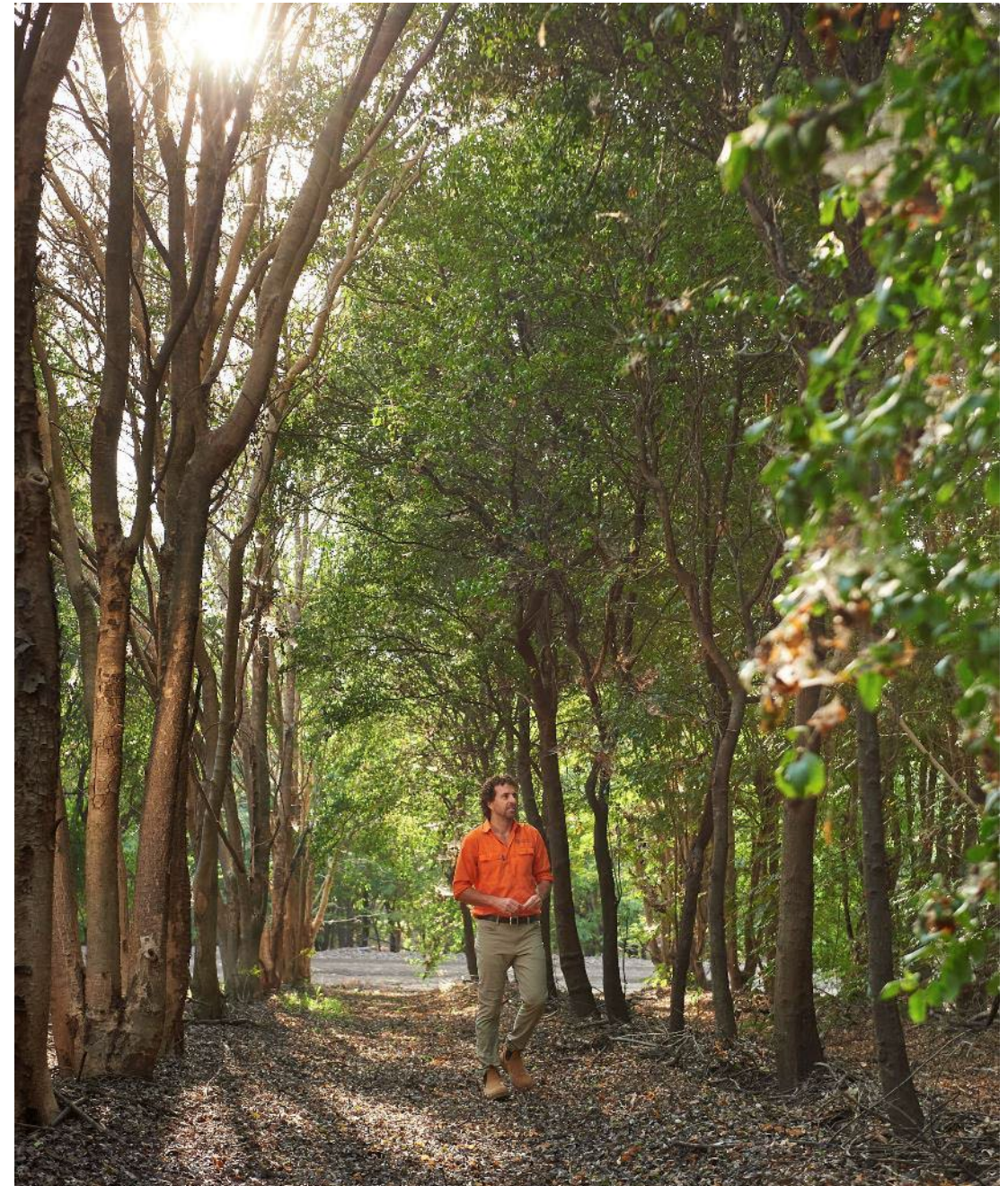
Useful Links

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.

