

Prime Value Citrus Trusts Update

August 2019 - Mid Season Update



Dear Investor,

We are pleased to update you on the progress and activities of the Prime Value Citrus Trusts.

Activities

- The Ellerslie North Citrus Farm was brought under Prime Value management in May 2019 with final settlement in July. This acquisition brings our citrus plantings to 370 hectares across five farms and our forecast production to 9500 tonnes of fruit for 2019.
- The Ellerslie acquisition included the rights to this year's crop and harvesting began in late May along with our four other farms. The quality of the fruit from Ellerslie is proving to be a highly positive addition to the Trusts.
- The acquisition also began a relationship with a second fruit processor, Nutrano Produce Group and consequently we are now engaging two companies to process our fruit. This diversification provides an element of competition and will ensure we continue to achieve the highest prices possible for fruit sold.
- The 2018/2019 growing season has been a more challenging one due to low rainfall and elevated water prices, combined with windy conditions during spring and a sustained heat wave in January.
- Offshore demand remains buoyant and premium fruit is continuing to command strong prices from a wide range of customers. AUD weakness is also supporting export prices.

2019 Season

The 2018/2019 growing season has been a more challenging one due to low rainfall and elevated water prices, combined with a windy springtime and a sustained heat wave during January. These factors impacted all growers in the region and the result has so far been a season of smaller fruit with greater blemish versus 2017/18. The early 2019 season fruit appears to have been more impacted than mid season fruit.

Fruit Quality

Fruit size and quality are monitored throughout the growing period and we work with Mildura Fruit Company to target the most desirable fruit size for the market. Unfortunately the extended elevated heat conditions in January did cause some stress and stunting of growth of fruit. Size can, to some extent, be manipulated through greater and lesser applications of fertilizer at particular points in time and for future seasons we intend to bring forward the fruit development to mitigate the potential impact of high temperatures at critical growth periods.

Blemish is generally a result of wind rub, which occurs when wind causes developing fruit to rub against branches and become scratched. The fruit is perfect on the inside but the lesser visual appeal reduces sales prices. The benefits of the windbreaks have been clear at both Sunmar and Ellerslie with the fruit from Sunmar being reported as the best quality fruit in the region. We are exploring the potential of planting windbreaks at Nangiloc although note the open nature of the landscape makes it more difficult to protect.

Development trees planted in Spring 2018



Water

Water prices remained high as we moved into the new water year in July 2019. Sustained higher water prices will naturally impact operating costs. Nonetheless, we have modeled the impact of higher water prices and as long as our fruit quality is maintained the Citrus Trusts will continue to deliver good returns. Permanent water prices have also risen and the Trusts' water assets are substantially higher in value than when we purchased them. This does provide a protective buffer/ hedge against rising water prices but we note, we do not intend to trade our water assets at this point in time.

Short term development

In this environment of high water prices, we are opportunistically bringing forward some of our development plans. At Nangiloc, there are 110 ha of plantings with overhead sprinklers and we will be undertaking a conversion to drip line irrigation. This conversion comes at a cost of approximately \$800k and has a two year pay back in cost savings. In addition, the water savings will permit a further 30 hectares of plantings without the need for any further irrigation infrastructure upgrades. We will leave the overhead sprinklers in place as they can be used for climate control in times of frost and significant heat. We expect works to commence in Spring 2019. The timing of the planting of the additional 30 hectares will depend on the availability of nursery trees but we expect to be planting some trees in Spring 2020.

As well as the irrigation work, we have also now committed to commence a 15 hectare top-working program for our Valencia trees on Orange One and Nangiloc. Top working involves cutting half of a tree away after harvest and grafting a new more desirable/valuable variety onto the tree. The remaining part of the tree protects the graft and it is cut away the next year when the graft has established. Top working is much faster to production versus replanting and will use significantly less water over the next two years as the plant is developing. We are also taking the opportunity to remove poor yielding trees and replanting as nursery trees become available. This covers approximately five hectares across our farms. Our focus remains on developing and optimising a premium quality citrus enterprise.



New season Washington Navels



Example of a tree top worked with Afourer mandarins 5 years ago

Market conditions

Overseas demand for Australian citrus remains strong and prices are trading equal to and above that of last year for first grade fruit. The Imperial mandarin crop was well received domestically and our mid season Navels are being picked now. We are approximately 50% through our harvest. Final price outcomes are, as always, difficult to predict at this juncture but despite some lower quality fruit, which will impact our prices, volumes are still good.

Unit Price

The Latest unit price (31 July 2019) is \$1.2335.

As more than half of the harvesting will be completed by the end of August, the Unit price will go ex-distribution after the August 2019 unit price is finalised.

The distribution for the 2019 season will be confirmed and paid in January 2020 once we receive final proceeds from fruit sales in December.



Investor trip July 2019

Capital Contribution

We can accept a limited amount of applications in August and encourage you to apply as soon as possible if you wish to participate in the 2019 harvest distributions.