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INVESTMENT UPDATE

FEBRUARY 2020

Prime Value Citrus Trusts

Dear Investor,

We are pleased to provide you with the final report for our 2019 harvest.

Summary

2019 was a more challenging year for the citrus industry driven by difficult weather conditions, low rainfall and high water prices impacting operational costs. Regionally, the 2019 harvest was characterised by smaller sized fruit, and a higher degree of blemish on fruit caused by strong spring winds. The volume of first grade fruit was considerably lower both across the region and at our Nangiloc, Orange One and Wiela Farms. Sunmar and Ellerslie however, performed very well despite the difficult conditions and still produced a strong proportion of first grade fruit. The natural windbreaks on Sunmar and Ellerslie have proven invaluable.

Prime Value Farm	Orange Production	Mandarin, Tangelo, Grapefruit Production	Total production
Nangiloc	3304 T	285 T	3400 T
Orange One	567 T	56 T	623 T
Sunmar	2771 T	903 T	3674 T
Ellerslie	783 T	378 T	1161 T
Wiela	360 T	1000 T	1360 T
Total	**7785 T**	**2622 T**	**10,407 T**

Sales highlights include Grade 1 KCT Cara Cara red fleshed oranges from Sunmar selling at over $2340/T – this represented the highest priced fruit sold by MFC in 2019. The non KCT Grade 1 Cara Caras sold at $1290/T. Grade 1 Afourer mandarins from both Nangiloc and Sunmar sold between $1694 and $1711/T and we also sold a small volume of mandarins from Sunmar into the premium KCT market at $1756/T. The KCT mandarin market is currently very limited but is growing.

Unfortunately the greater proportion of blemished and smaller sized fruit from Nangiloc and Orange One did result in a decline in our Grade 1 production to 38% and 41% on each farm versus 51% and 53% in 2018. Wiela experienced a similar outcome at 39%. This was the general experience across the region. Blemish is encountered every year but it was higher than usual. The smaller sizing is attributed to the unusually prolonged heat wave in January 2019 that coincided with a crucial growth period. When a tree is under heat related stress, nutrient uptake is not as effective and growth can slow significantly.

Each season we aim to grow the perfect fruit size for the Grade 1 export market and fruit is measured regularly to ensure we are on target. To reduce the potential for smaller sized fruit for 2020 we adjusted our early stage growing program. For this season's crop we have targeted stronger fruit growth earlier through increased nutrients to mitigate the potential impact of heat related stress on young fruit. Fruit growth for the 2020 crop is progressing well and we remain ahead versus 2019. This approach has been taken as we can slow growth down to reach the optimal size but it is difficult to regain significant lost ground.

Given the higher water related operating cost environment, we have been focusing on operational efficiencies across all farms, but particularly Nangiloc, in the areas of water use, energy use and labour for both the immediate term and the future. Our key objective is to ensure every megalitre of water is used effectively. In the next section we outline the steps taken and development plans ahead for the farms. We note these steps have involved additional cost at a more difficult time but all measures are to ensure the farms are positioned well for strong returns going forward.

Despite the challenging growing conditions in 2019, the market backdrop was exceptionally positive with the industry breaking the $500M mark in exports for the first time. This record was reached as at the end of October with data for the last two months of the year still to be collated. This result was not forecast to occur by Citrus Australia, our industry body, until 2025. 273,000 tonnes of citrus had been exported at the end of October. The size profile of 2019 fruit and degree of blemish meant financial returns per tonne were not as high as previous years but this strong demand continues to underpin the future of the industry. Contributing to the higher export value was a greater proportion of high valued mandarins in the mix with mandarin exports up 50% from 2018.

Fruit processors are expecting similarly strong demand this year. We also note the Indonesian free trade agreement negotiated in 2019 is due to come into force this year reducing tariffs to zero for 10,000T of oranges and 5000T of lemons and only a 10% tariff on 7500T of mandarins. We do not expect the US trade deal to have any material impact on Australian citrus due to the counter seasonal nature of our production versus the US. The Coronavirus is an unknown factor but we are several months from the start of the main harvest season. We note China is a strong market for premium Australian fruit but we note MFC, our main processor, exports fruit to 50 countries around the world.

Nangiloc Farm

Operational costs are much higher at Nangiloc than the other farms essentially due to the overhead sprinkler irrigation system in place on the farm. The operating cost differential between Nangiloc and the other farms widened considerably in 2019 with the higher water prices. For background, watering via overhead sprinklers requires not only a higher volume of water per hectare, it also creates a wider and less efficient root system which results in a less efficient delivery of nutrition to the trees. Further, it leads to more intensive weed management and consequently higher labour and fuel costs.

Conversion to drip irrigation has been part of our longer term plan but with the higher cost of water, we are embarking on this capital works program this coming Autumn. An irrigation specialist has been working with SCF to identify areas for improvement in the overall irrigation infrastructure to ensure we have the most efficient delivery of water and nutrients to the trees in the most cost effective manner.

In addition to an improvement in tree health and fruit quality, the conversion to drip line irrigation and the infrastructure upgrade will generate water savings of circa 20% allowing us to plant a further 30 hectares of trees. Planting will take place in Spring 2020 and will take the farm to approximately 180 planted hectares. The final design plan for the irrigation upgrade will be finalised in February and we expect to fund the works via debt. There is a rapid payback in terms of cost savings, improved fruit quality and we also expect an improved volume of production.

During 2019, the following works were undertaken at the Nangiloc Farm:

- Installation of a variable speed drive pump and solar panels on the pumping shed (predominantly funded by a government grant of $25,000). This reduces stress on the irrigation system and reduces energy costs.
- Removal of poorly performing trees including 2 hectares of old Imperial mandarin trees.
- Top working of 2 hectares of Valencias converting them to red fleshed navels.
- We have also sourced and paid the deposit on 18,000 young navel trees for the spring 2020 planting of the 30 hectares made available from the irrigation upgrade.

Our Nangiloc capital expenditure program for 2020 is estimated as follows:

- $400k to complete the purchase and planting of the 30ha of new trees.
- $900k to convert 110 hectares of overhead sprinklers to drip lines and improve the drip lines that are currently in place.
- $200k irrigation system upgrade

Orange One

The Orange One Farm, 3km from Nangiloc, yielded similar results to Nangiloc but they are quite different farms. Orange One is under drip irrigation but many of the trees are younger and still developing. Volumes were lighter generally and the farm also suffered from the heat wave and more blemish than usual but more importantly we made the decision to proceed with the conversion of the lower valued Valencia trees into Kirkwoods and Cara Caras, both red fleshed varieties. The timing for top-working being late winter/ early spring means the loss of a substantial portion of the crop but the challenges of 2019 made it an opportune year to proceed. Substantially less water is required to maintain the top worked tree and the lighter crop. We converted approximately 12 hectares (representing 30% of the farm) and also took the opportunity to replace some small patches of older, poorer performing trees.

The top working significantly improves the future revenue profile of the farm, as well as its value. Top working, as opposed to replanting, gives a quick return to full production with good crops achievable in 3-5 years versus 6-8 years with replanting (which excludes the tree ordering time of 2-3 years). If you would like a little more information on the top working process please see the following link: https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0010/136675/Reworking-citrus-trees.pdf

Wiela Farm

Wiela is a more diversified farm and although size and blemish issues did impact the farm, our later season navels and mandarins performed well in terms of both volume and quality with mandarin production at 46% Grade 1.

There was an outbreak of fruit fly within a 20km radius of the farm but due to oversight by the government body, they failed to notify us. Fruit harvested that day was required to be disposed and we are in the process of seeking compensation from the government. There was no detection of fruit fly on our farm.

Post harvest we removed four hectares of Sumo mandarins, which will be replaced with red fleshed navels this spring. Sumos are highly labour intensive (crop management and picking) and the market demand and pricing is too variable to make the trees economic.

During 2019, we engaged environmental consultants to conduct a study of the farm to determine the suitability of vacant land/remnant vegetation for expansion planting and also to estimate the irrigation upgrade requirements of potential development. We are pleased to advise the study confirmed 55-60 hectares of land is suitable for the planting of almonds or citrus. The land was valued at $500 per hectare as 'remnant vegetation' but now as 'developable land' the value is much greater. Full development would require capital expenditure in the region of $3M (approximately $2M for irrigation and $1M for planting). The expansion and irrigation upgrade will be considered in 2020 and assessed in tandem with the potential benefits for the overall farm.

Sunmar and Ellerslie Farms

The Sunmar Farm was acquired just after the 2018 harvest and has been under SCF management for over a year, while Ellerslie was acquired just as the 2019 harvest commenced. Both farms performed very well with the windbreaks and twin planting on Sunmar proving to be excellent attributes. Ellerslie also has natural windbreaks protecting the farm.

We are very pleased to advise the highest market price for 2019 was paid by MFC for Sunmar's red-fleshed Cara Caras going into the KCT market. In total, 38% of the farm's production was delivered into the KCT Grade 1 Navel market with an additional 14% in the Grade 1 "Other" category. Sunmar's Grade 1 mandarins also represented a very strong 58% of the farm's production. The overall volume and quality of fruit production were excellent and on target.

In 2019 we undertook some minor irrigation improvements to ensure tree health and fruit production are maintained. These works centred on dripline water delivery and drainage improvements. We also replaced a small patch of older Imperial mandarins with the seedless Daisy variety.

Ellerslie production results also met expectations with 53% of oranges falling into the Grade 1 category

(including 33% KCT). As this is our first year of management, since harvest there has been a strong focus on pruning, nutrition and ensuring tree health is optimal. It was apparent in our due diligence process prior to acquisition, that some young plantings required replacement. We successfully sourced trees to undertake this work shortly after settlement and planted the replacements in spring 2019 ahead of our targeted timing. Overall the fruit growth for 2020 and farm itself is progressing very well.

Water Market

The persistent drought conditions through 2019 resulted in significantly higher water costs with temporary water prices reaching $1000/ML in Spring 2019. The recent arrival of the monsoon in northern Australia combined with the easing of the positive Indian Ocean Dipole (IOD) has seen rainfall increase and water prices fall back to sub $650 however until we see significant rainfall and inflows into region's catchment areas, we expect temporary water prices to remain elevated.

The Indian Ocean Dipole is a significant contributor to our weather system and when positive, it is associated with drought conditions. The IOD has not been monitored for a long period of time but 2019 represented a record positive IOD. It has moved back into neutral territory improving the outlook for our weather conditions.

For further information we direct you to: http://www.bom.gov.au/climate/enso/history/ln-2010-12/IOD-what.shtml

https://www.youtube.com/watch?v=PHXfLIEvY-I

Results for 2019

We are pleased to announce a distribution and increase in unit value despite the challenging conditions and internally funded development work. The impact of the drought on water prices did lower returns but the strength in the citrus market and offshore demand for quality produce supports the resilience of the farms.

Ex distribution unit price as at 31 December 2019	$1.2278
Distribution for 2019 (for pre 1 September 2019 investors)	$0.02
2019 return	6.5%
Returns since inception (May 2017) net of all fees	12.7% p.a.

The distribution will be made to investors who were invested as at 31 August 2019. Investors who are invested before 31 August each year will be entitled to that year's harvest distribution, the payment for which will be made in the first quarter of the following year. This cut off date reflects the fruit growing and harvest season.

Summary

In summary, 2019 was a challenging year and we took this as an opportunity to focus our efforts on best positioning the farms for revenue growth in the forthcoming years. Poor performing trees have been removed, less valued varieties have been top-worked, water and power efficiencies have been identified and upgrade plans are being finalised.

Production will be increasing each year and we are forecast to produce circa 12,000T by 2022 as we move towards full production in 2025. Although this summer has been cooler, to the extent possible, we remain prepared for the risk of extended heat waves and we are monitoring fruit size closely. Overall we are pleased with the progress and developments on all farms, the 2020 fruit is developing well and we are focused on maximising our Grade 1 high valued fruit to mitigate the impact of higher water prices.

We will update you again as the season progresses.

We value your ongoing trust and support as we continue to develop our citrus farm portfolio.

Warm regards,

Quek, James and Elizabeth