



# 2009 Annual General Meeting

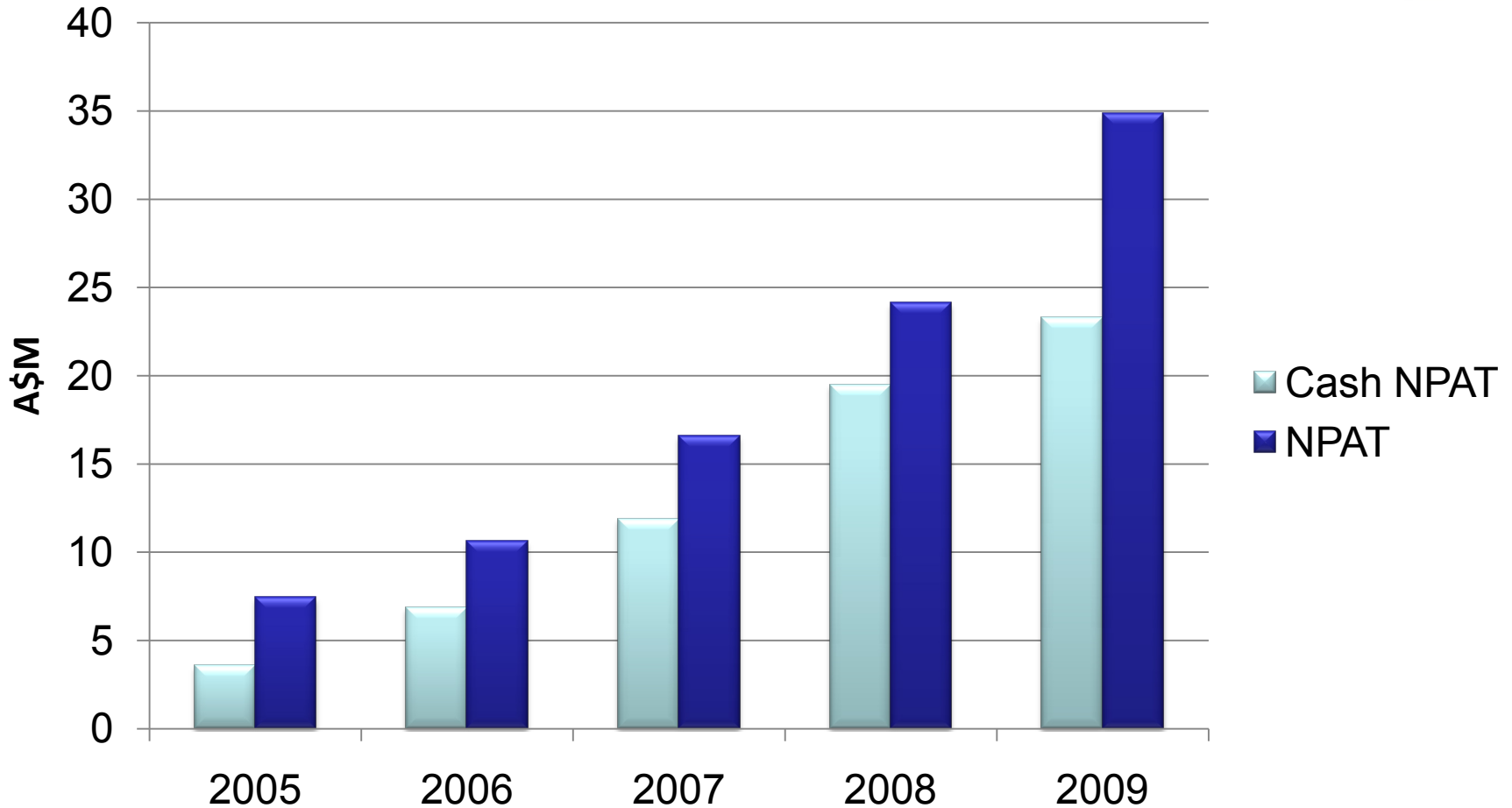
19 November 2009

# Year in Review – Highlights



- Reported NPAT +44%, Cash NPAT +19.5%, Dividend recorded a 6.2% increase
- Exceptional MIS performance in depressed market, increased share from 5% to 17%.
- Beyond Carbon is developing a wholesale channel that reduces reliance on MIS in 2010+
- JV with Emirates Investment Group (EIG) for sales & distribution of sandalwood products
- Successful integration of Mount Romance (MRA)
- Exclusive due diligence agreement entered into over ~8,000 hectares of prime land in the Ord – First right of refusal to lease or purchase at discretion of CPC
- Equity raising \$28m + SPP of \$5m should result in net debt being eliminated in FY10
- Adam Gilchrist becomes TFS global ambassador
- Post balance date –
  - Conditional supply agreement with award winning US Biotech, ViroXis.
  - TFS achieves inclusion into Forbes list of Top 200 “Best under a Billion” of Asia Pacific companies

# Financials – Continued Profit Growth



# Financials – Balance Sheet Summary



|                                    | FY06  | FY07  | FY08   | FY09   | FY09 v<br>FY08<br>% Change |
|------------------------------------|-------|-------|--------|--------|----------------------------|
| <b>Net Assets (\$M)</b>            | 34.60 | 53.05 | 104.45 | 135.08 | +29.3                      |
| <b>Sandalwood Trees (\$M)</b>      | 15.3  | 19.5  | 22.0   | 30.9   | +40.4                      |
| <b>Deferred Fee Asset (\$M)</b>    | 4.6   | 7.4   | 11.9   | 20.4   | +71.4                      |
| <b>ROE (%)</b>                     | 30.7  | 31.3  | 23.1   | 25.8   | +11.7                      |
| <b>ROA (%)</b>                     | 16.2  | 13.4  | 14.2   | 12.2   | -14.1                      |
| <b>Net Debt (\$M) <sup>1</sup></b> | 4.5   | 13.6  | (5.2)  | 26.7   | -                          |
| <b>Gearing Ratio (%)</b>           | 11.5  | 20.4  | (5.3)  | 16.5   | -                          |
| <b>NTA Per Share (¢)</b>           | 21.9  | 32.73 | 55.52  | 60.04  | +8.1                       |

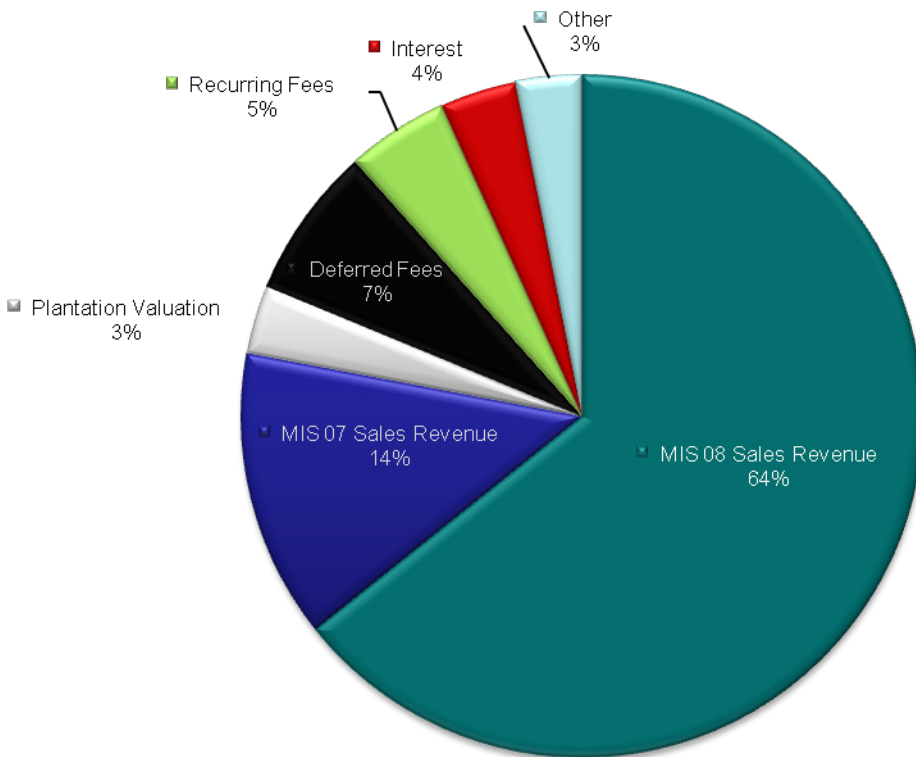
1. Excludes cash held as first loss deposit of \$6M

# Financials – Continued Diversification

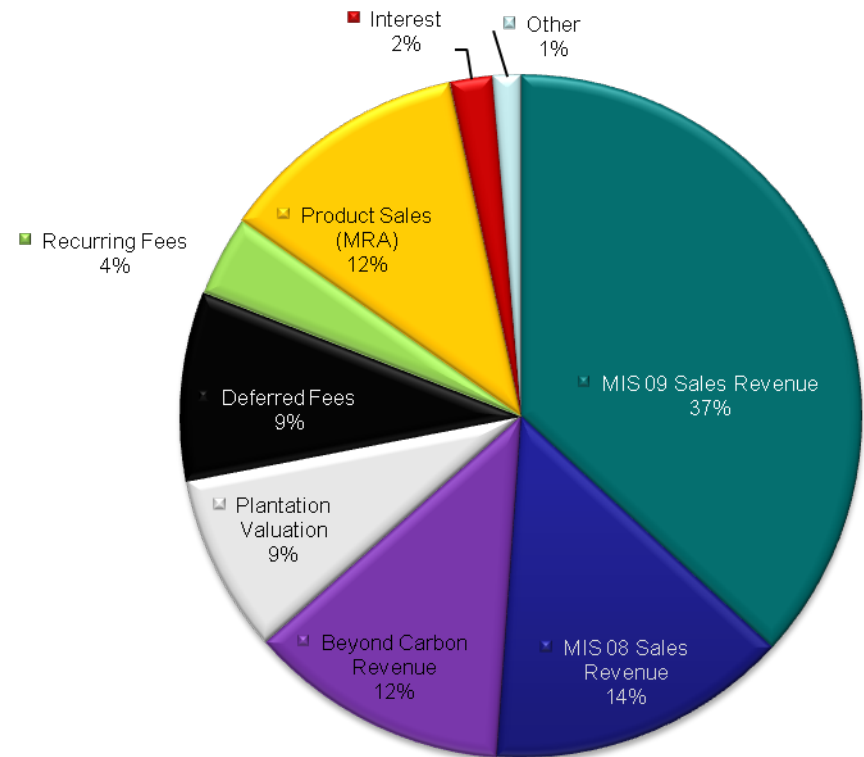


## Revenue Split (using amended revenue recognition policy)

2008



2009



# Plantations – Beyond Carbon on Track



- Beyond Carbon represents TFS' first foray into non-MIS institutional plantation sales.
- Key points:
  - Diversifies the TFS business model
  - Results in larger up front cash flow for the company allowing for more direct investment by TFS into its own plantations.
  - Enables the recycling of capital into new land assets
  - Lower / more competitive marketing costs
  - Stimulates the secondary market for TFS's MIS investors
- First round sold 350 ha for a fee of \$29.8m, cash to be received by April 2010
- Second round aiming to sell 500 ha in FY10 is progressing well, with a wide range of institutional investors demonstrating interest in long-term investment characteristics
- NPV to TFS from BC is superior to Retail MIS project, assuming TFS reinvests larger upfront cash flow into its own plantation estate

# Production & Sales - EIG Joint Venture



- Joint venture company established – Gulf Natural Supply (GNS). GNS entered into a supply agreement with MRA to supply Australian sandalwood (*Santalum spicatum*) to the Middle east and Northern African (“MENA”) region
- EIG have underpinned the investment of a minimum of 200 ha per annum into BC, with FY09 sales of 350 ha already exceeding expectations
- Due diligence commenced on production and distribution of non-tobacco based pan/mouth freshener products for launch in 2010, initially containing *spicatum* and ultimately containing TFS produced *Santalum album*
- Pan products include combination of nuts, seeds, herbs and spices, with Sandalwood attars being a key ingredient. Sandalwood’s antibacterial properties is also thought to be beneficial in preparations
- Estimated size of pan/mouth freshener market is ~\$15bn pa in India alone, with a further ~\$1.5b in Pakistan. MENA region also considered significant and attractive
- Since 1970’s when the “Pan” market was first commercialised, estimated growth has been ~25% - 30% pa. Industry reports that pan masala containing natural Sandalwood oil is preferred by consumers and commands a price premium
- EIG & GNS working to develop long-term customer base across MENA & Pakistan

# Production & Sales - Mount Romance (MRA)



- MRA integration process completed, with exposure to end market customers enhancing understanding of market size for sandalwood related products
- MRA provides TFS with the critical component to achieve its vision of “soil to oil” operation for global sandalwood markets
- MRA acquisition was the catalyst for JV with Emirates Investment Group (EIG) and BC initiative, underscoring strategic value of investment
- First year earnings under ownership were slightly below forecast, due to impact of GFC
- Opportunities opening up for Aust. Sandalwood products via EIG JV
- Earnings should improve with outlook remaining positive

# Plantations – Land Bank



- Land bank - ~2,500 ha planted, ~2,600 ha available, ~1,125 ha unsuitable
- Recent agreement to lease 500 ha of unsuitable Sandalwood land for rice production. Further TFS land unsuited to Sandalwood likely to be leased for chia and rice production in 2010
- Leasing out unsuitable land offsets holding costs and generates cash flow
- Due diligence on ~8,000 ha of CPC land suitable for Sandalwood is continuing. TFS has first right of refusal to purchase or lease at discretion of CPC, within 12 months of completion of due diligence
- Ord Stage II progressing with Federal & State funding of \$400m into infrastructure. Land release date expected to be 2011 with ~3,000 ha of suitable land for sandalwood
- Other land opportunities are being examined by TFS

# Equity Raising – Strong Balance Sheet



- At June 30, 2009 Net Debt of \$26.7m, still low gearing ratio (net debt / net debt + equity) of 16.5%
- Equity raising of \$28m + SPP of \$5m should result in net debt being eliminated in FY10
  - Allows TFS to fund own MIS growers in 2010 project
  - Allows TFS to take advantage of opportunities presented by impact of GFC
  - Allows TFS to accelerate growth via EIG JV with GNS in MENA & Pakistan
  - Allows TFS to prepare Kingston Rest property in advance for institutional investors
- Expected sale of up to \$13.5m from current loan book with time frame brought forward to the near term

# Plantations – Future of MIS



- MIS Joint Parliamentary Committee delivered final report on September 7, 2009
- Recommendations are highly favorable for forestry based MIS projects, with tax deductibility for investors not in question
- Political support for forestry given long lead times acting as a natural disincentive
- Focus from MIS investors is expected to be on high return projects with experienced and financially sound managers, expected to benefit TFS
- MIS will continue to provide TFS with an efficient funding source albeit with a decreasing emphasis as non-MIS investment increases

# ViroXis – points to strong underlying demand



- TFS approached by ViroXis for supply of up to 3 tonnes pa to assist in completion of phase 3 (final phase) FDA trials in the US
- ViroXis just won a prestigious Life Sciences Award in the US for their product initiative, which will attract further attention to this exciting area
- Highlights independent recognition of the Indian Sandalwood profile and underlying demand. Supply agreement priced at a substantial premium
- ViroXis drug development is for use in topical treatment of viral skin infections in children and adults
- First opportunity for TFS to supply into global pharmaceutical industry. Should ViroXis complete final stage trials, there are a variety of skin conditions that TFS oil may be used to treat within a prescription drug framework
- Market opportunity for US and global sales of TFS oil based pharmaceutical products becomes strategically significant
- Introduces an exciting and defensive consumer category that demonstrates consistent growth, balancing other discretionary sectors

# Sandalwood Market – Structural supply deficiency



- Over harvesting of the natural forest in traditional markets has created structural supply deficiency
- Consumer-driven demand for natural, ethical and sustainable supply of Santalum album continues to grow across Western and Eastern markets
- A variety of market segments underpin significant and robust demand – fragrances, cosmetics, pan masala, incense, carvings, and traditional medicine are known with demand unfulfilled to a significant degree. The global pharmaceutical sector is a new and powerful source of demand that may present a massive opportunity given the history of human usage
- Future demand underpinned by growth in Indian economy, and the rise of middle class wealth. The development of the Chinese market adds a new dimension again
- Market and consumer driven data suggests market demand for Santalum album is considerably in excess of TFS current plantation resource

# TFS admitted to Forbes Top 200 Asia Pacific



- TFS was admitted to Forbes “Best under a \$1b” Top 200 list across Asia Pacific in the Forbes Asia September 21, 2009 issue
- Award recognizes consistent profitability and growth over the last three years
- Such an award will elevate TFS’ international profile, attracting institutional interest in TFS plantations, interest in consumer product markets and TFS equity
- Improving international profile to have feedback loop impact to domestic profile

# Outlook – Plantation Sales FY10



- Total plantation sales in FY10 to be at least equal to FY09 (1,025ha) with an increase in non-MIS institutional sales through Beyond Carbon from 350 ha to 500 ha
- The sale of 500 ha of non-MIS plantations to offshore institutional investors in FY10 through Beyond Carbon is progressing well
- Kingston Rest property to be dedicated to non-MIS offshore institutional investors. 1400 ha of Kingston Rest property has already been developed and will be ready for planting in 2010 and 2011
- Expect to continue to increase market share in MIS market given reduction in competition

# CONTACT DETAILS

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