# FULL YEAR RESULTS
# 30 JUNE 2008

# FY08 ACHIEVEMENTS

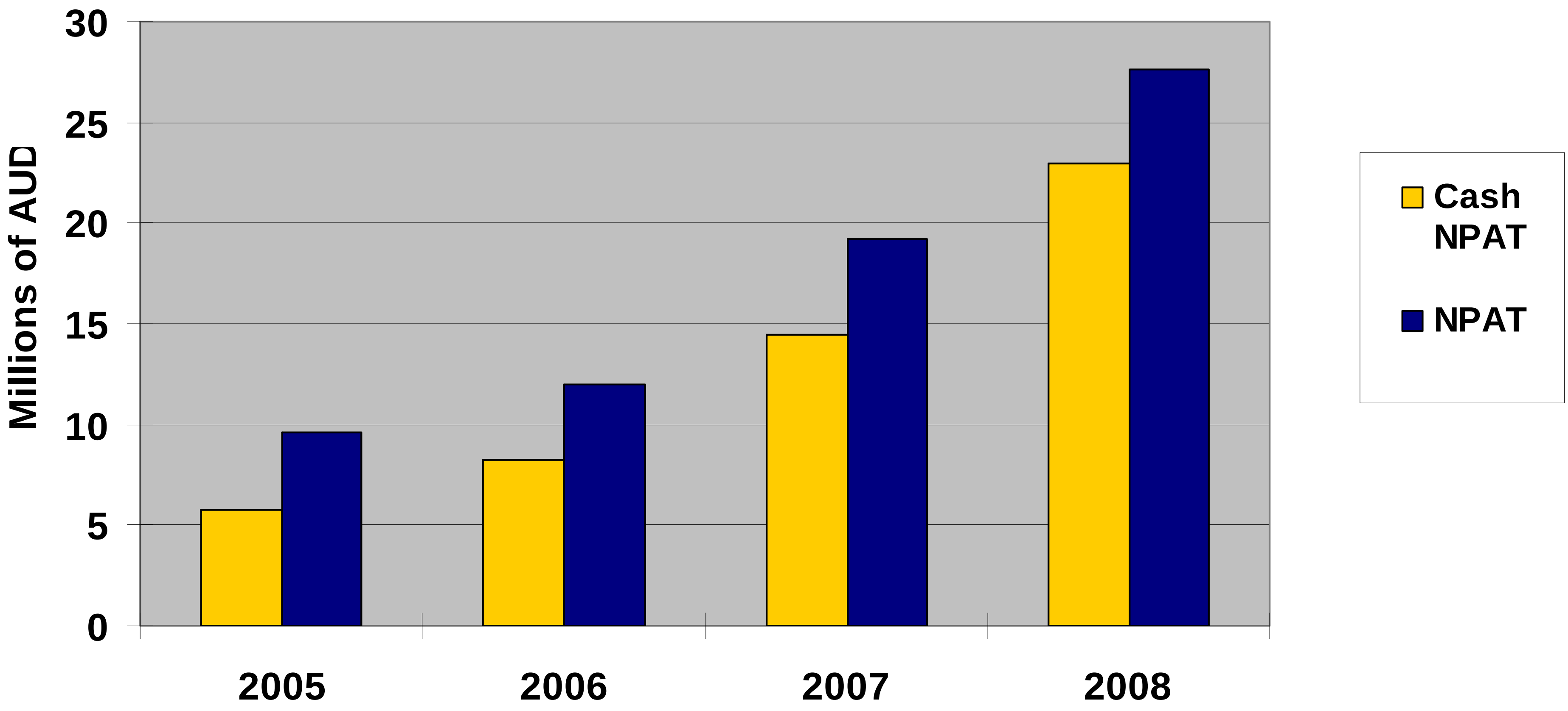
- Material increase in MIS market share and penetration
- Achieved 4 star product rating from each independent research house
- Oil offtake agreement with Lush Cosmetics (UK) at prevailing market price
- Significantly improved cash flow:
  - partial loan book sale raising approx $23M
  - $50M grower funding arrangement with CBA raising approx $22M in 09 sales (majority realized post 30 June 2008)
- Continued expansion of land bank – now up to 4,300ha of land held in reserve for future planting
- NDC – acquisition of 50% interest gives greater land acquisition and development capability
- MRA – TFS now has processing and distribution capability to match plantation resource

# FY08 RESULTS - ABOVE EXPECTATIONS

| | FY06 | FY07 | FY08 | FY08 v FY07 % Change |
|---|---|---|---|---|
| **Sales** | 325.0 Ha | 558.5 Ha | 813.7 ha | +45 |
| **‘Cash’ Revenue** | $22.68m | $38.33m | $61.73m | +61 |
| **TOTAL REVENUE** | **$28.06m** | **$45.07m** | **$68.37m** | **+52** |
| **Tree Revaluation** | $3.40m | $3.97m | $2.07m | -48 * |
| **Deferred Fee Recognition** | $1.98m | $2.78m | $4.57m | +65 |
| **‘Cash’ EBITDA** | $12.26m | $22.15m | $35.50m | +60 |
| **TOTAL EBITDA** | **$17.64m** | **$28.89m** | **$42.14m** | **+46** |
| **‘CASH’ NPAT** | $8.23m | $14.47m | $22.93m | +58 |
| **NPAT** | **$11.99m** | **$19.18m** | **$27.58m** | **+44** |
| **“CASH” EPS** | 5.21¢ | 9.08¢ | 12.41¢ | +37 |
| **EPS (¢)** | **7.60¢** | **12.04¢** | **14.96¢** | **+24** |
| **DPS (¢)** | 2.1¢ | 3.4¢ | 4¢ | +17 |

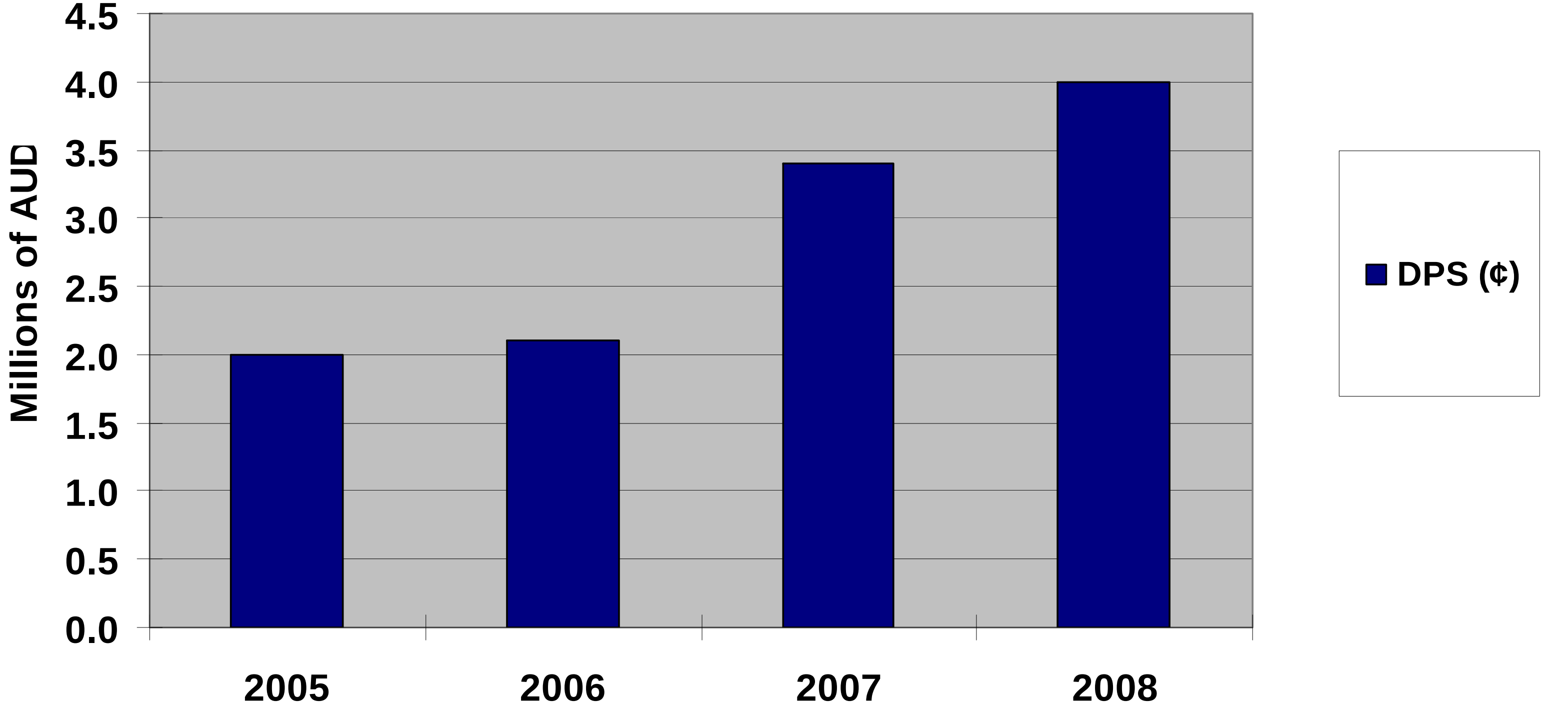
**Due to A$ strengthening against US$ - tree revaluation calculated in US$*

# NPAT GROWTH

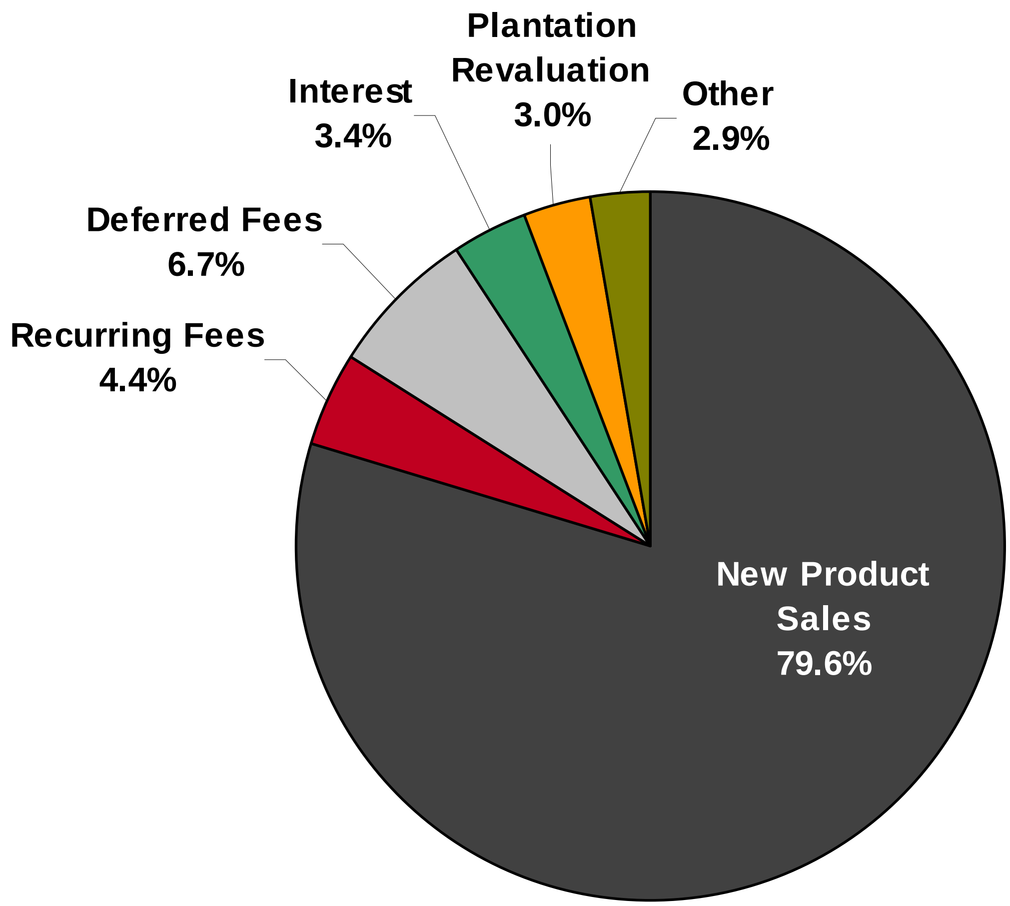


Millions of AUD
30
25
20
15
10
5
0
2005
2006
2007
2008
Cash NPAT
NPAT

# DIVIDEND GROWTH

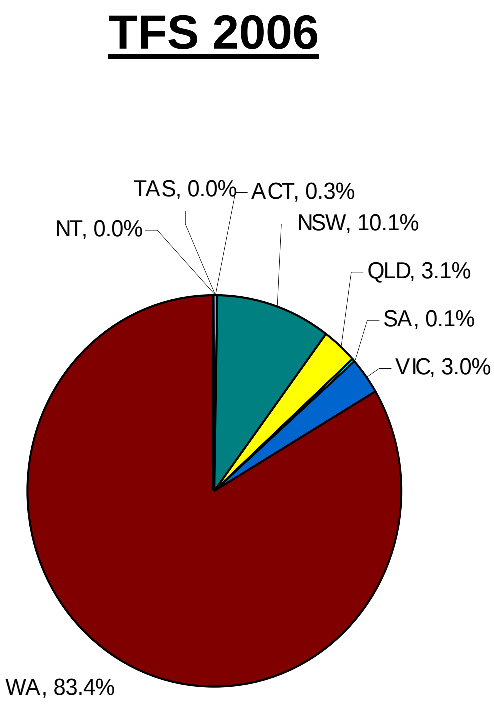


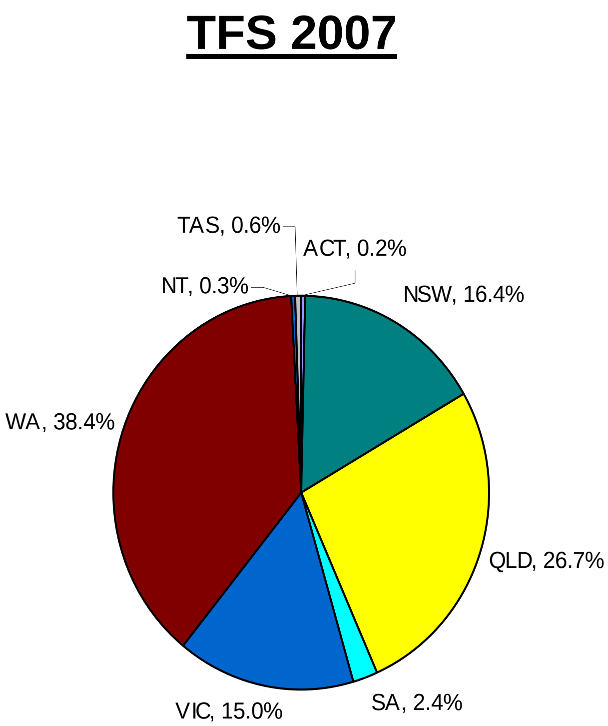
# FY08 REVENUE SPLIT

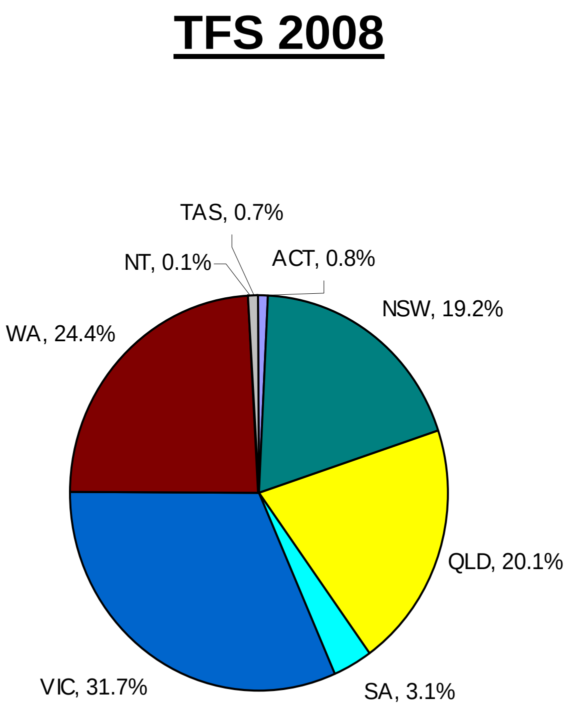


# BROADER MARKET PENETRATION

## Hectares by State



# BALANCE SHEET INFORMATION

| | FY06 | FY07 | FY08 | FY08 v FY07 % Change |
|---|---|---|---|---|
| Net Assets | $38.1m | $59.1m | $113.97m [1] | +93 |
| Sandalwood Trees | $15.3m | $19.5m | $22.0m | +13 |
| Deferred Fee Asset | $4.6m | $7.4m | $11.9m | +61 |
| ROE | 31.5% | 32.4% | 24.2% | -25 |
| ROA | 18.2% | 15.7% | 16.5% | +5 |
| Net Debt (excludes cash held as first loss deposit)[2] | $4.5m | $13.6m | ($5.2)m | - |
| Net Debt To Equity | 12% | 23% | (5)% | - |
| NTA Per Share | 24.1¢ | 36.5¢ | 60.6¢ | +66 |

1. *Includes land revaluation of $10.5M (net of tax)*
2. *First loss deposit $3M*

# COMMENTARY ON CASH FLOWS

- Cash flow from 08 sales is strong due to CBA funding arrangement in place
- Approx $28M funding remains in place for 09 year (plus opportunity to increase if necessary)
- Annual fee cash flow increasing as larger projects reach maintenance stage
- Expectation of approx 30-40% increase in cash annual fees for next 2 years

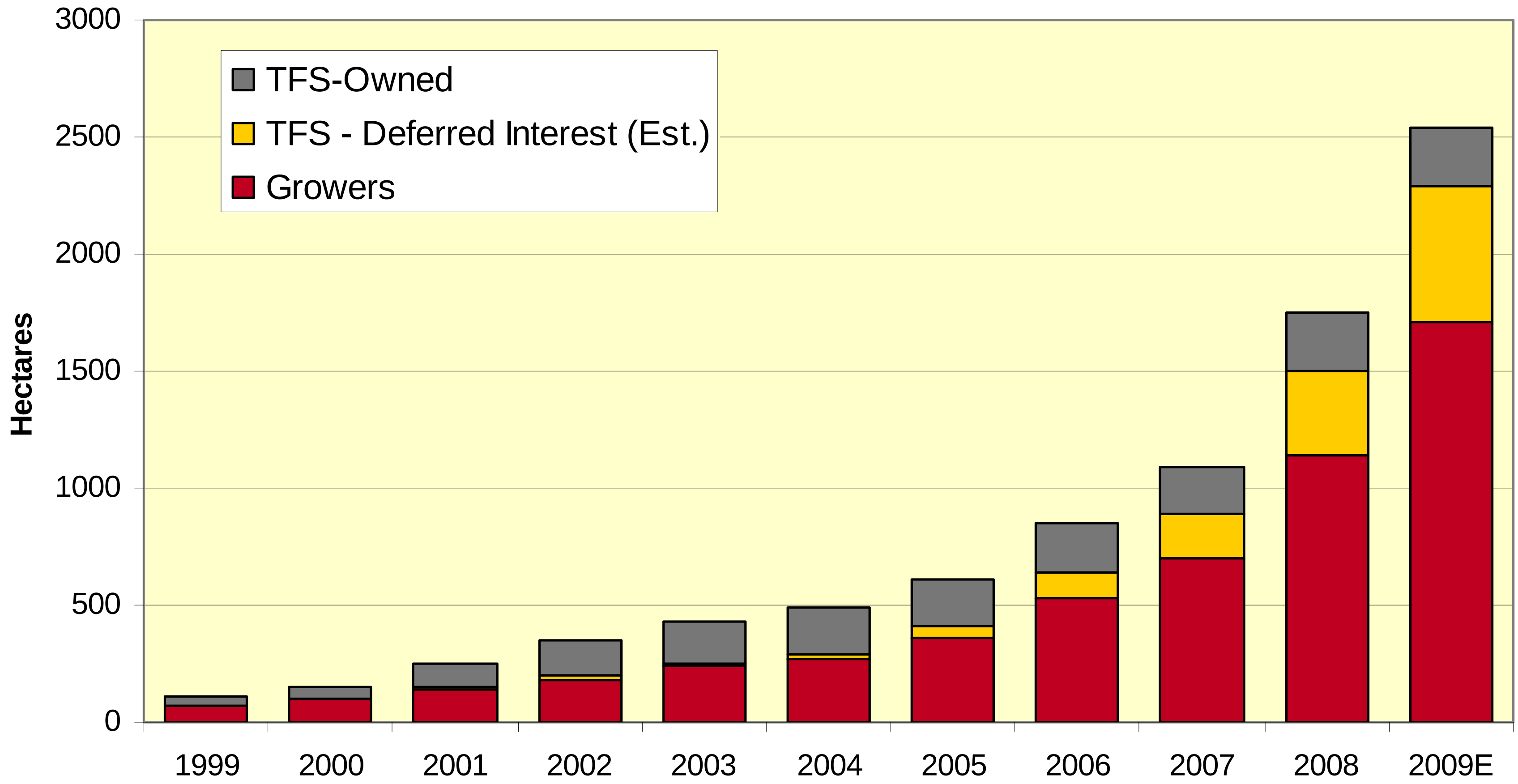
# MT ROMANCE AUSTRALIA *(MRA)*

- Sale subject to approval by Forest Products Commission (FPC)
- Net sale price $28.6M
- Consideration - Cash $9.9

| | | |
|---|---|---|
| Consideration - | Cash | $9.9 |
| | Shares | $1.1 |
| | Net debt | $17.6 |

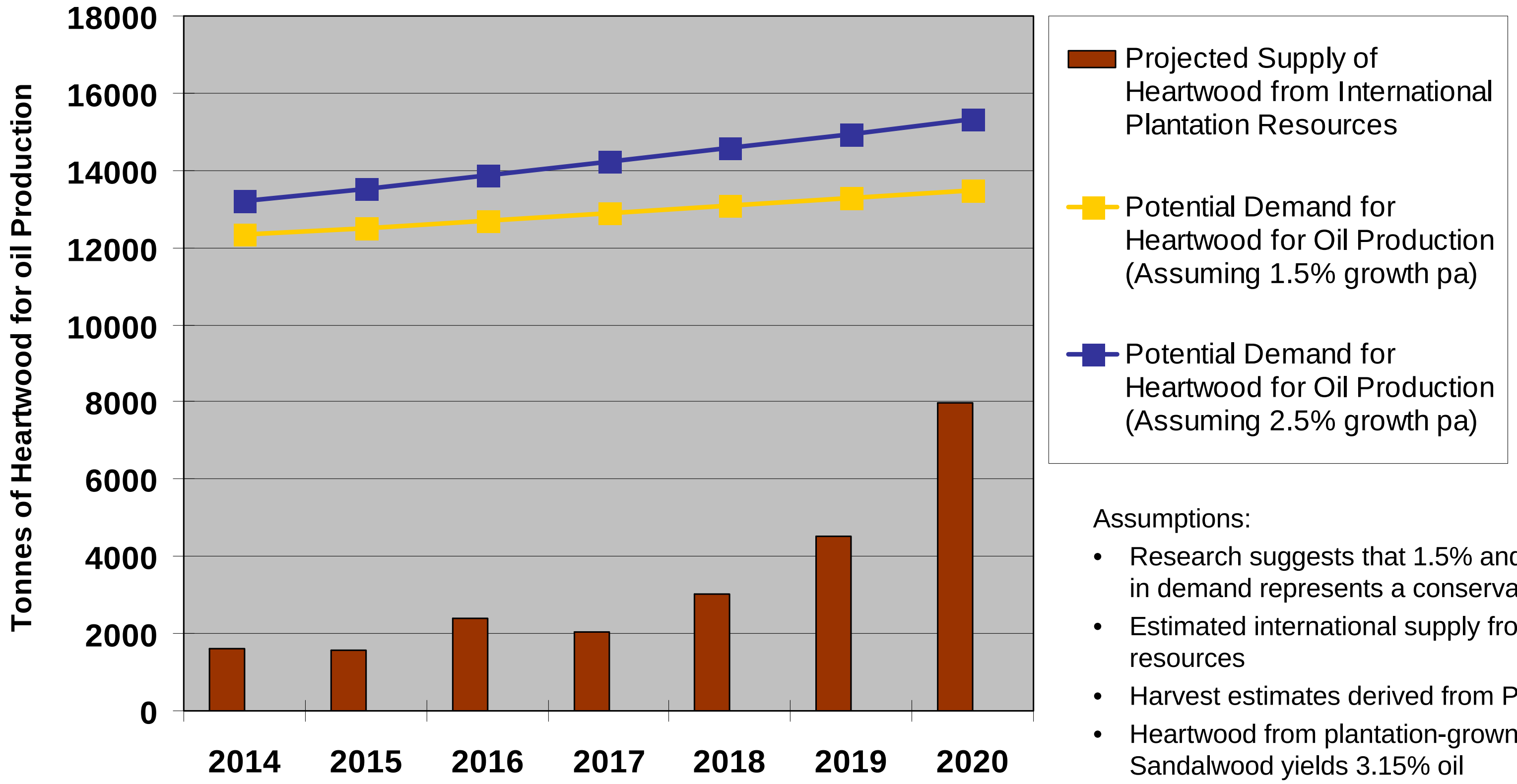
- Gives TFS processing and distillation capability with experienced staff
- Defers CAPEX on Kununurra distillation plant for several years
- Established global customer base with major European and North American fragrance houses
- Gives TFS prominent position in sandalwood industry as grower, processor and distributor
- Combines world's largest plantation grower in "album" with world's largest processor and distributor of "spicatum" oil
- Significant growth opportunities for increased bi product sales to China and India
- Gives TFS in house laboratory for further R&D in pharmaceutical and cosmeceutical sandalwood based body care products

# TFS PLANTATION GROWTH



# PROJECTED SUPPLY & DEMAND FOR PLANTATION GROWN HEARTWOOD FOR OIL PRODUCTION

- Supply is consistently under projected demand
- Consumer-driven growing demand for natural, ethical and sustainable supply



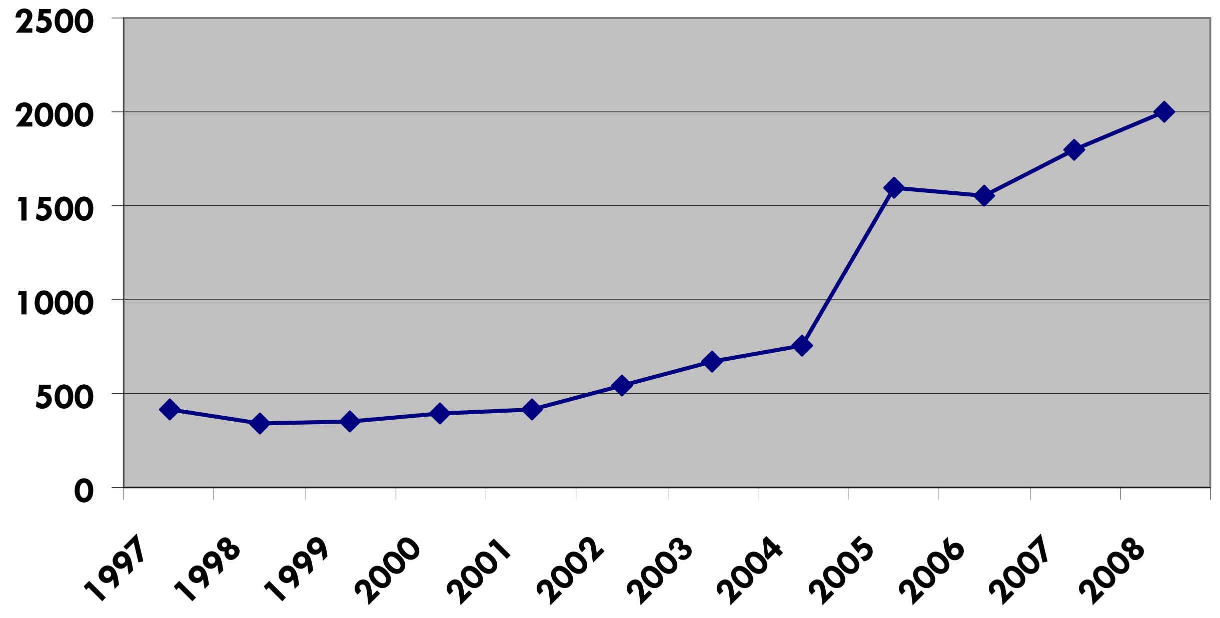

Assumptions:

- Research suggests that 1.5% and 2.5% growth in demand represents a conservative estimate
- Estimated international supply from plantation resources
- Harvest estimates derived from PDS
- Heartwood from plantation-grown Indian Sandalwood yields 3.15% oil

# RISING INDIAN SANDALWOOD PRICES

- Demand / supply imbalance evidenced by steep rise in Indian Sandalwood prices

**Price of Indian Sandalwood Oil by Year**
**(US$/kg)**



# BASIC VALUE ADDING

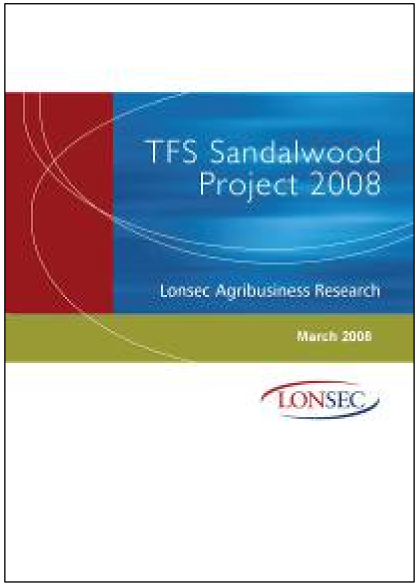
| | Spicatum per tonne | Album per tonne |
|---|---|---|
| Oil | $770,000 | $2,000,000 |
| Spent Charge | $2,400 - $3,600 | $4,500 - $6,000 |
| Resin | $45,000 - $65,000 | $80,000 - $150,000 |

# MIS RATINGS
## TFS SANDALWOOD PROJECT 2008

### ADVISER EDGE


### AAG


### LONSEC



# TAX DEDUCTIBILITY

- Tax deductibility of forestry MIS to continue under new 70% test therefore not dependent upon test case result
- No suggestion from Federal Government and/or Treasury that will review current position for forestry
- TFC expectation is therefore for continued deductibility for forestry MIS in medium to long term

# LAND BANK

| | |
|---|---|
| Land Owned | 3,870 Ha |
| Land Leased | 3,720 Ha |
| ***Total Land** | **7,590 Ha** |
| | |
| Land planted by 30 June 2008 (approx) | 1,750 Ha |
| | |
| Balance of land unplanted | 5,840 Ha |
| • Land <u>currently</u> unsuited for sandalwood | 1,500 Ha |
| • Land available and suitable for sandalwood | 4,340 Ha |

* Excludes Kingston Rest Dam Lease of 3,000 Ha

# OUTLOOK FOR 2009

- >10% growth in revenue and NPAT (excluding MRA contribution)
- Further key alliances with major global fragrance houses
- Increased focus on R&D and expansion of Sandalwood bi products market
- Increased focus on global institutional investor/growers to supplement MIS growers

# CONTACT DETAILS


Frank Wilson
Executive Chairman
frank@tfsltd.com.au

Quentin Megson
Chief Financial Officer
quentin@tfsltd.com.au

254 Adelaide Terrace
Perth WA 6000

T: +61 8 9221 9466
F: +61 8 9221 9477

www.tfsltd.com.au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