1H11 Results Presentation

28 February 2011

1H11 – Highlights

- $44m positive turnaround in Operating Cash Flow for the seven months to January 2011: +$23.8m v -$20.1m pcp
- FPC trial harvest interim results show significant oil yields from plantation grown Indian Sandalwood in the ORIA – materially supports TFS investment model
- 1H results are typically not reflective of the full year result given heavy 2H seasonal bias. Even so, cash flow is improving and on trajectory for dramatic improvement on a full year basis to achieve ~$70m in Operating Cash Flow
- Settled 1st Wholesale transaction with AAA rated US investor for $20m over the life of the project on 182 ha. They have exercised their 2nd option to invest in another 182 ha in FY11
- Post balance date, settled 2nd transaction with Middle Eastern Sovereign Fund over 376 ha for $27m in upfront fees, plus $13m in annual fees as well as performance fees. Importantly this transaction includes ~$10m as a separate allocation for acquiring woodlots from retail growers on the secondary market
- Structuring issues around foreign investors now complete ensuring passage of future wholesale deals settles in a timely fashion. Strong pipeline of demand in wholesale markets ensures deal flow to continue
- Both Wholesale transactions are significant events for TFS, changing the profile of the company and providing institutional endorsement for the fundamentals of the business, the underlying commodity and the management team
- MRA continues its rebound with strong sales volume and revenue growth despite currency appreciation. Cash flow was a strong $11m including first customer to pre-pay due to tight supply conditions. 70% of production over next 3 years now sold!
- MRA is demonstrating the future of TFS – an industrial company with current major commodity clients across the European fragrance industry and within India. MRA will gradually expand its global footprint across regional segments and product set as plantation harvests commence in 2013
- 1H11 DPS of 1.25 cps in line with pcp. On track for double-digit earnings growth for sixth consecutive year

Indian Sandalwood Trial Harvest

- Interim results on the harvest of 90 mature trees planted and managed by Government agencies
- Trees harvested were from some of the first Indian Sandalwood trial plots planted in the ORIA
- Results for these experimental trees show the following –
  - 19 to 23 year old trees
  - Mean Heartwood per Tree – 25kg
  - Mean Oil Yield from Heartwood – 4.9%
  - Mean Oil Yield per Tree – 1.2kg
  - Oil Yield predicted by TFS per Tree – 0.8kg (at age 14)
- TFS is encouraged by these interim results from a significant sample of mature trees
- Interim results show that significant oil is present in plantation Indian Sandalwood trees grown in the ORIA
- TFS believes its constantly improving silvicultural practices, such as host selection and genetics, will produce trees superior in size and yield to those of the harvested trees
- TFS believes these interim results substantiate the core metrics of the TFS investment model

FY10 Reported Result Highlights

	1H10 $m	1H11 $m	Change %
Cash Revenue	14.7	21.9	48.8%
Statutory Revenue	22.3	31.8	22.3%
Cash EBITDA	-3.5	-1.9	45.5%
Statutory EBITDA	5.9	8.0	36.0%
Cash NPAT	-4.4	-4.4	0.0%
Statutory NPAT	1.0	2.6	162.0%
Comprehensive Income	2.2	2.6	16.4%
Cash EPS	-2.1	-1.9	6.9%
Statutory EPS	1.0	1.1	7.8%
DPS	1.25	1.25	

- Total Comprehensive Income After Tax increased in the period due to the exercise of the 2nd option from a US based AAA rated investor over 182 ha
- Non-Cash Revenue up 30.1% to $9.9m due to
  - Deferred interest revenue up 16.3% to $8.7m as revenue recognition from lease & management fees kicks in following several years of significant sales growth
  - Plantation revaluation up $1m

1H11 Cash Earnings Summary

	1H10 ($m)	1H11 ($m)	Change %	Comment
- Hectare Sales (Ha)	12.2	182	large	
-- Establishment Fees (new) & land sales	6.1	8.9	46.3%	Reflects sale of 182 ha to a US based Wholesale investor – exercise of 2nd option. Revenues also reflect revenue recognition on lower MIS in FY10. MIS recognition is 25% in yr 2 and Wholesale is 33%
-- Recurring Fees	1.0	2.2	110.0%	Increase recognises the growing base upon which annual fees are paid by growers
- MRA	5.4	7.6	40.7%	Reflects rebound in sales from the GFC impacted pcp. Indian sales are particularly strong
- Interest income on loan book	1.3	2.1	61.5%	Reflects growth in Retail loan book
- Other	0.9	1.0		
Total Cash Operating Revenue	**14.7**	**21.9**	**48.8%**	**Strong increase in overall cash revenues given the sales profile is typically heavily skewed to 2H**
Operating Expenses	18.2	23.8	30.7%	Forestry costs rise on the back of a larger estate, MRA costs reflect variable nature of cost structure. Costs also reflect cost of land sold in 182 ha wholesale transaction
Cash EBITDA	**-3.5**	**-1.9**	**45.5%**	**Improving position but immaterial in the context of the full year result**
EBITDA Margin (%)	**-**	**-**		
D&A	0.8	1.6		
EBIT	-4.3	-3.5	18.6%	
Interest expense	2.1	2.9		
NPBT	-6.4	-6.4		
Tax	2.0	2.0		
Cash NPAT	**-4.4**	**-4.4**	**0.0%**	**No reflection on full year result. Maintain earnings guidance of 10%+ growth**
Cash EPS	-2.0	-1.9	6.9%	
DPS	1.25	1.25		
Net Operating Cash Flow	**-20.4**	**-1.0**	**large**	**Significant improvement partly reflects cash flow at MRA which was +$11m for the period. Further improvement in January following settlement of wholesale transaction**

Manufacturing - Mount Romance (MRA)

	1H10 ($m)	1H11 ($m)	Change %
Oil volume (t)	4.2	8.0	90.5%
Revenue	5.4	7.6	40.8%
EBITDA	1.2	1.7	37.2%

- MRA delivered strong revenue and earnings growth for the period
- Oil volumes maintained recent exceptional performance
- Currency appreciation of 7.7% yoy continues to impact margins
- Cash flow for the period was +$11m reflecting collection from FY10, current sales and the first pre-payment for a sale
- Cash flow strength continues early in 2H11
- Pre-payment reflects tight supply conditions resulting in more favorable outcomes for TFS
- Momentum for sale of Native Australian Sandalwood (Spicatum) in India continues to build – enquiry level strong
- 70% of production for the next three years has now been sold, with price increases on the balance commencing in July
- Inability to secure additional supply of Spicatum has resulted in temporarily shelving planned expansion of production capacity
- Production capacity will need to expand to accommodate commencement of Indian Sandalwood harvest in 2013

Plantation Management Earnings

	1H10 ($m)	1H11 ($m)	% change
Cash Revenue	8.0	12.1	51.3%
Cash EBITDA	-5.6	-5.7	-1.8%

- December half is typically not reflective of the full year result due to strong seasonal factors
- No MIS sales and 182 ha of wholesale sales in 1H11. Sales typically back ended into 2H
- In addition to wholesale transaction, revenue comprised of recurring MIS fees plus revenue recognition from prior year sales (25% retail & 33% wholesale)
- Positive dynamics developing in both Retail and Wholesale products that should result in some increase in full year margins

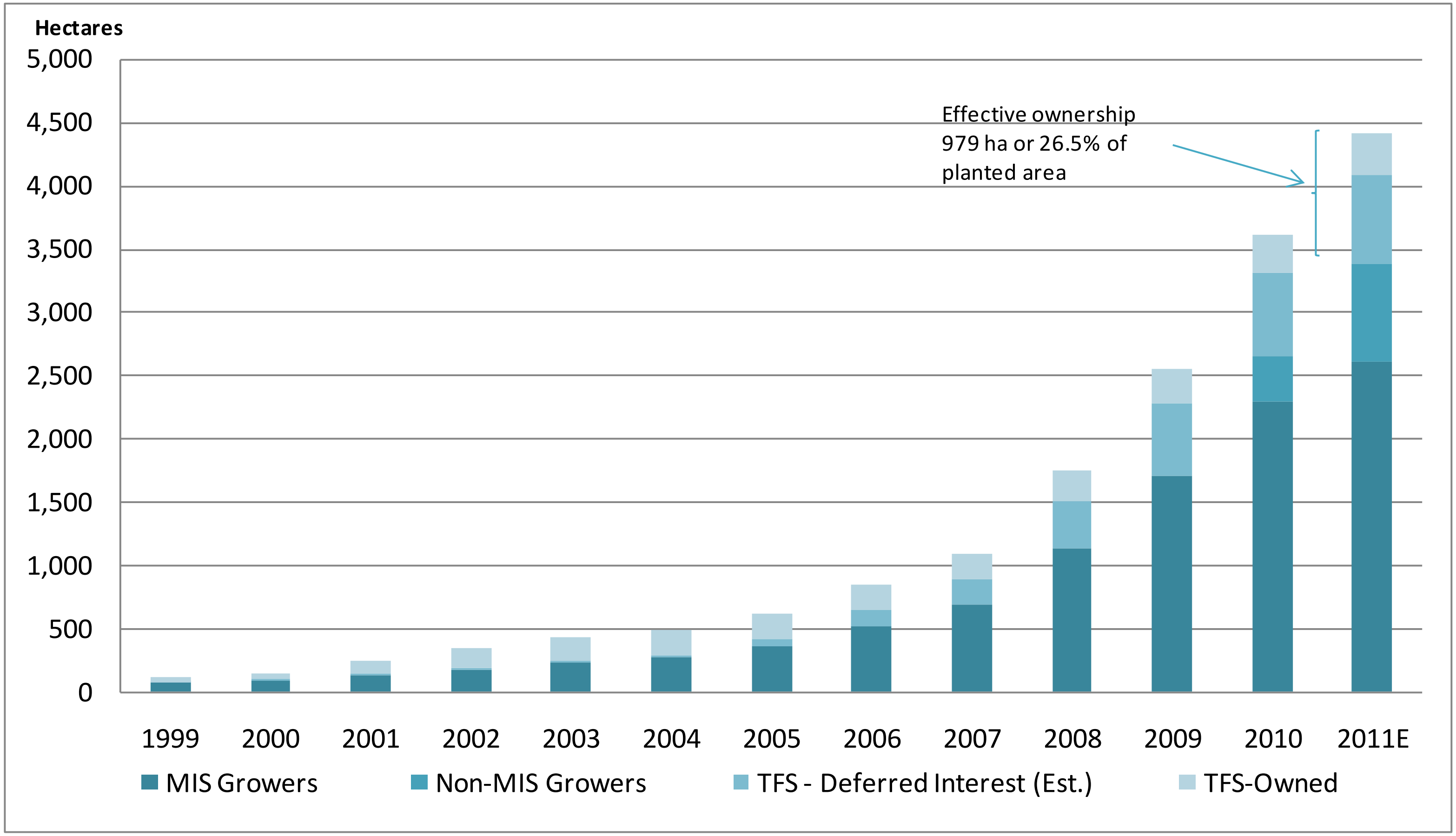
Wholesale Plantation Investment

- Settlement of first Wholesale transaction with AAA rated US investor for $20m over life of the project plus performance fees. Investor has exercised 2nd option to invest in another 182 ha in FY11 with establishment fee to be received by June when planting occurs
- Settlement (post balance-date) of second Wholesale transaction with Middle Eastern Sovereign Fund delivering $27m (incl. GST) in upfront proceeds plus $13m in annual management fees plus performance and investment management fees
- In addition, this transaction allocates ~$10m to secondary market purchases of original grower woodlots.
- Sovereign Fund holds a five year option. Should all options be exercised, then total upfront fees would equate to ~$240m. Annual management fees, performance fees and secondary market allocations are additional for each option
- All structural issues relating to foreign investment have now concluded. This will facilitate improved timing of receipt of funds to enable alignment with the sales and planting cycle, delivering better and more transparent cash flow
- The December dividend deferral was due to these structural issues. The unforseen delay in the original September settlement time frame meant it was prudent to defer payment of final FY10 dividend. This is not expected to occur again for reasons stated above
- Remaining sales from FY10 are on track to settle in 2H11
- Significant portion of FY11 sales to be received in FY11
- Very strong institutional demand across different regions generating positive signs about long-term appeal and pricing of product
- Institutional interest is generated from the demand to be exposed to long duration hard assets that are likely to generate superior returns with lower volatility than conventional asset classes

Retail Investment Projects

- ATO product ruling for 2011 Indian Sandalwood Project is expected in March and allows for sales up to 500 ha
- TFS growth expectations are not reliant on growing MIS sales and TFS is budgeting for modest outcome
- Conditions in MIS sector have stabilised with early indicative market demand circa $100m
- MIS remains relevant to overall business model for customer & fund flow diversification, but no longer reliant on retail investors
- TFS is in a strong position to benefit as conditions normalise due to significantly reduced competition – 7 key operators no longer competing
- MIS business generates attractive margins and return on capital, although funding mechanism remains a challenge to ensure appropriate cash flow dynamics
  - now offset by development of Wholesale investment product where cash flow is upfront, yet establishment margins still attractive
- TFS' overall position not impacted by sector conditions due to diversified business model that includes both Wholesale investor base and production revenues – MRA

Effective Shareholder Ownership



Potential Embedded Shareholder Value

- TFS grows trees for shareholders as well as growers. Effective ownership of plantation estate by shareholders translates to real value as harvests come online
- **Illustration provided below is not a forecast but a guide to potential value to shareholders based on PDS assumptions**. **Calculation is based on oil only with no allowance made for bi-products**
- Value to shareholders is measured in estimated annual revenue at the time of harvest with no account for price inflation, variability in yield or time value of money. Oil price assumed is current spot price of $2,000 per kg. Assumes plantations are harvested 14 years after planting
- **Using this illustration as an assumption base suggests existing share price does not reflect embedded shareholder value over the next decade**

Ha Planting Summary	1999	2000	2001	2002	2003	2004	2004	2006	2007	2008	2009	2010	Total
TFS Direct	40.3	2.0	28.8	59.0	26.7	15.0	9.9	4.5	19.0	43.2	25.3	23.6	298.3
TFS Deferred	1.1	5.0	8.1	4.9	0.0	38.4	47.2	87.7	163.3	192.3	91.0	41.0	680.6
	41.4	**7.0**	**36.9**	**63.9**	**26.7**	**53.4**	**57.1**	**93.2**	**182.3**	**235.5**	**116.3**	**63.6**	**978.9**
Potential Future Revenue	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
TFS Direct	31.8	1.6	22.7	46.1	20.8	12.7	7.8	3.4	14.0	31.8	18.7	17.4	228.7
TFS Deferred	0.8	3.9	6.3	4.3	0.0	30.5	37.2	66.2	120.3	141.7	67.1	30.2	508.8
	32.6	**5.5**	**29.0**	**50.4**	**20.8**	**43.2**	**45.0**	**69.6**	**134.3**	**173.5**	**85.8**	**47.6**	**737.5**

- Shareholder's equity interest (free carry on grower trees plus TFS' own trees) is likely to generate high margin returns given the cost base will not include external grower acquisition costs and most other costs already accounted for
- This illustration of future value excludes normal processing margins on grower plantations and future management fees from new sales

Balance Sheet Summary – solid foundations

	1H10 $m	FY10 $m	1H11 $m	Comment
Cash	7.6	20.2	6.8	
Receivables	51.8	86.9	80.5	Wholesale customers comprise $68.3m. Settlement of first wholesale transaction in 1H11. Settlement of 2nd transaction settled post 31/12 reducing balance by a further $27m
Inventories - products	13.6	6.1	7.3	Includes consumer product business, oil inventory is minimal as demand outstrips supply
Inventories - land	4.5	5.8	3.2	Land to be sold on completion of forthcoming wholesale deals
Current Assets	**73.6**	**119.1**	**97.8**	
Non-Current Receivables	21.8	44.5	41.7	Reduction reflects MIS loan book run-off
PP&E	69.6	57.6	58.1	
Tree Assets	32.6	41.5	42.9	Function of accounting standard revaluation of TFS' own forest portfolio
Deferred Fee Assets	27.9	31.5	40.3	Accumulated fees from prior projects up to 2008
Non-Current Assets	**191.8**	**214.8**	**221.1**	
Total Assets	**265.4**	**333.9**	**318.9**	
Creditors	6.2	20.8	22.9	
Debt	0.9	25.7	55.8	CBA debt expires 30/4 and therefore shifted to current status. Total bank debt reduction from $67m to $57m at 31/12 reflects settlement of 1st wholesale transaction. Bank Debt reduced again post 31/12 to $20m
Current Liabilities	**24.5**	**68.1**	**95.1**	
Non-Current Debt	39.8	41.6	1.2	Reallocation of debt to current status
Non-Current Liabilities	**78.5**	**70.5**	**32.9**	
Total Liabilities	**103.0**	**138.6**	**127.9**	
Net Assets	**162.3**	**195.3**	**190.9**	
Net Debt	33.1	47.3	50.2	Full year debt position will depend on refinancing in progress and potential land acquisitions
Gearing Ratio (ND / ND+E) (%)	16.9%	19.4%	20.8%	Remains conservatively geared, a hall mark of management's discipline and business model
NTA per Share (cps)	62.9	76.9	74.6	Reflects settlement of land sale to US investor

Funding

- **FY10 interest cover on EBIT was 15.7x with gearing at ~24%. The average interest cover over the last three years has been 14.8x with average gearing at ~13%**

- As at 30 June 2010 total bank debt drawn by TFS under a facility with CBA was $67m.
- In August 2010, TFS requested CBA to extend a $25m component of the facility that related to MIS grower loan funding which was due on 31 August 2010. The request resulted from delays in receipt of institutional funds. TFS had believed that the extension would be granted on reasonable terms based on information provided to the bank and feedback obtained to that point in time.
- While an extension of the facility was provided as expected, CBA took the opportunity to significantly amend the terms and size of the overall facility with TFS. TFS believe that CBA's reason for this was a desire to reduce its remaining exposure to the MIS sector. This was despite CBA being aware that the company was no longer reliant on the MIS business.
- As a result of CBA's position, TFS had been in discussions with the bank since October. In late December CBA required TFS to reduce its total facility to $15m by Jan 31, 2011 or have in place an underwriting agreement by that date. CBA also required TFS to suspend payments of any dividends until this had occurred.
- In late January 2011 after further negotiations and following legal advice:

  (i) TFS entered into an underwriting agreement with several parties including the Chairman and some TFS Directors to underwrite either an equity or debt raising to reduce the CBA debt to $15m. TFS Directors chose not to accept their entitlement to the arms length underwriting fee. The Chairman was not part of the board decision on the underwriting agreement or its terms

  (ii) Parties to the underwriting agreement advanced $10m to TFS via an unsecured loan with interest set at the CBA rate for unsecured loans

  (iii) TFS and CBA entered into an agreement whereby the CBA would accept a $13m reduction in its debt to $20m by February 4, 2011, providing the balance was repaid by April 30, 2011. CBA agreed TFS could continue to pay dividends without their approval.

  (iv) TFS and Directors also agreed to enter a deed of release with CBA, releasing CBA from potential legal action from TFS and its Directors

- On 2 February 2011, TFS paid $13m to CBA in line with its agreement.
- As a result of the agreement with CBA and the requirement to repay the balance of $20m by 30 April 2011, the CBA debt balance at 31 December has now been classified as a current liability. Since August 2010 TFS has repaid approximately $47m (predominantly from operating cash flows) and the current balance of bank debt is $20m. At no time has TFS been in default or in breach of its banking covenants with CBA.

Funding continued

- Given the full year and long-term gearing and serviceability position, TFS believes it has ample capacity to service its debt.

- The TFS Board's current position is to secure its funding through a combination of
  - Operating cash flow, and,
  - Refinancing - Clarksons' raising and /or Domestic and International Banks

- Clarksons $75m bond issue is well advanced and is on track to be completed on or before April 30, 2011

- TFS is also progressing in negotiations with major international and domestic banks

- In addition to its current options, the Board will continue to consider all capital management options.

- In conjunction with the forecast $70m operating cash flow, the refinancing options will secure TFS' current and future funding requirements for land and operations through to commencement of harvesting operations in 2013

- Harvesting operations will see a new and substantial stream of cash flow that will bring TFS to a self funding position

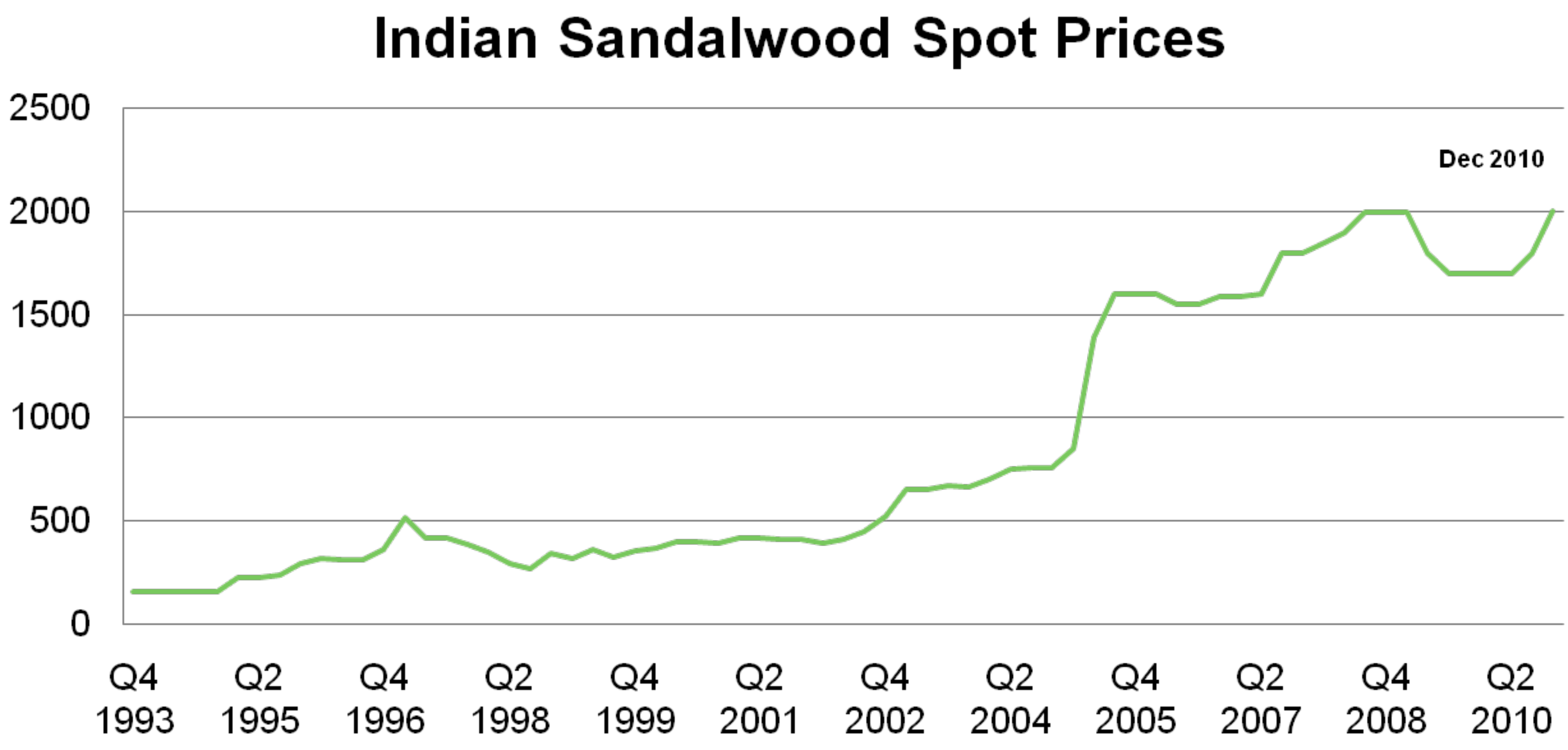
- **TFS is in a very sound position with a unique asset and market position that will be realised progressively from 2013**

Plantations – Land Bank

Category	Owned Ha	Leased Ha	Total Ha
Planted	1,884	1,904	3,788
Available	1,642	409	2,051
Unavailable	1,910	443	2,353
Total	**5,436**	**2,756**	**8,192**
Unavailable:			
1,500 ha relates to KR, 374 ha from Leucaena farm is being sub-leased to rice production			
15 ha planted on leased land during 1H11 as part of a research project			
	FY09	**FY10**	**1H11**
Number of trees owned by TFS	73,088	89,825	95,797

- Planted acreage includes 306 ha directly owned by TFS
- TFS owns ~61% of plantable estate establishing solid foundations for security of land tenure and the balance sheet
- Due diligence on ~8,000 ha of CPC land suitable for Sandalwood is ongoing
- Due diligence on Ord Stage 2 has resulted in only a small amount of land has been considered suitable for Sandalwood plantations
- TFS has a relationship with MG corporation (traditional land owner) whereby their land holdings appear to be suitable for Sandalwood. TFS is working through various opportunities available to expand its land bank

Sandalwood Market



Source: Datastream

- Price have touched an all time high in December 2010

Indian Sandalwood – the future is robust

Key Products

Oil
•Fragrance
•Flavour, Chewing Products
•Pharmaceutical
•Cosmetics

Wood
•Cremation
•Worship
•Handicrafts

- Traded commodity for over 2,000 years and declared a royal tree in India in 1792. Government banned exports in 1996
- Illegal harvesting and unsustainable activities have depleted world supply to near the point of extinction, and currently recognised as a vulnerable species by the World Conservation Union (IUCN)
- Commodity price has risen by ~18% pa over the last 18 years
- Key ingredient for markets and product categories that exhibit superior growth rates driven by demand from two of the fastest growing economies in the world
  – **According to the McKinsey Global Institute survey on the rise of the Indian Middle Class, by 2025 ~43% of the population will have reached Middle Class levels in USD equivalent purchasing power terms, up from ~5% in 2005**
- Supply / Demand dynamics are strongly in favour of establishing large scale plantation supply
  – Consumption is diverse, deep and not controlled by any particular group or region – Europe, Asia, Nth America
  – Consumption is underpinned by Indian growth story (latest GDP growing >8% pa) and global trend to naturals
  – Supply competition is severely limited

Sandalwood Market Demand - Illustration

- Cremation market in India is estimated by government sources at ~8m pa. In this example assume top 5% will use real Indian Sandalwood Heartwood
- Famous figures in India may use anywhere between 100 kg and 400 kg of real Heartwood in a cremation pyre
  - Recent example – Former Congress leader K. Karunakaran was cremated with 300 kg of Sandalwood in December 2010
- Conservative assumption that average volume per cremation in the top 5% demographic uses 40 kg Heartwood
- This market would absorb 16,000 tonnes of Heartwood pa and rising according to population & income trends
- Hypothetically, assuming TFS allocated all its heartwood into the Indian cremation market exclusively, ignoring all other potential uses including oil markets, TFS would achieve a 50% market share by 2022 and an 80% share at peak production in 2025
- The Indian temple market and the home usage market for heartwood are similarly exciting on conservative scenarios. Assume heartwood markets compete with oil markets for supply
- TFS could not conceive of producing enough supply to cater for the aforementioned markets let alone capture all the opportunities that are presenting themselves across many product sets
- **In reality, TFS will adopt a strategic portfolio approach to be appropriately diversified across geographic and product sets. Strategic diversification will result in nurturing a number of product and customer sets that will maintain pricing power**
- TFS’ future ramp up in supply in over a decade will not create a negative supply shock!

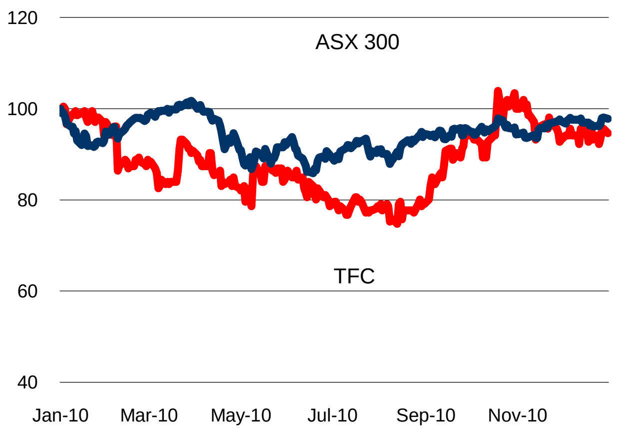
Outlook – FY11

- Significant increase in positive operating cash flow as settlement of institutional sales occur throughout FY11
- Operating Cash Flow for seven months to January is at +$23.8m, a $44m turnaround from -$20.1m pcp. TFS is on track to deliver on its forecast of +$70m in Operating Cash Flow
- Cash earnings to be up at least 10%. FY11 will be the sixth year in succession that earnings will have grown by >10% pa. Earnings will also be up ~6x since IPO 12/04
- TFS made significant progress despite the GFC and MIS sector implosion
- Total Indian SW plantation sales in FY11 to be at least equal to FY10 (1,088ha) with further increase in non-MIS institutional sales
- Pricing increase in both non-MIS institutional sales and retail MIS sales due to TFS strong market position
- MRA earnings expected to grow on back of price increases, as demand tightens and marketing into China and Middle East gains momentum
- Strategic value of MRA is clear. MRA enables TFS to evolve into a conventional industrial company as opposed to one largely reliant on management fees . Industrial production related revenues will dominate the earnings profile of TFS through the course of this decade in line with production profile from plantation harvests

Appendix A - Corporate Snapshot

TFS Ltd

ASX Code	TFC
Cash EBITDA FY10	$41.5m
Net Debt FY10	$47m
Total Shareholder Equity	$195m
Employees - FTE	105
Shares on Issue	228.4m
Market Capitalisation	$234m



Share Register Profile Dec 2010

Top 20	49%
Top 50	62%
Board / Employees	22%
Institutional	18%
Retail	60%

Board of Directors

Frank Wilson – Executive Chairman
Ian Thomson – Executive Director
Tim Croot – Executive Director
Blake Myles – Non-Executive Independent Director
Ian Murchison – Non-Executive Independent Director
Ron Eacott – Non-Executive Independent Director

Appendix B - TFS Background

- Owner and manager of the world's largest ethical, sustainable, environmental and socially responsible Indian sandalwood plantations
- Backed by 15 years of Government trials. TFS first started plantations in 1999 and now manages ~3,800 ha
- Dominant position in the Indian Sandalwood market, with critical global supply coming on line in 3 years, just as supply from Indian forests is rapidly diminishing
- Vertically integrated with end market customers including some of the world's largest fine fragrance, cosmetic and pan masala companies
- TFS has a strong and stable management team with interests aligned with investors through personal commitment to the Sandalwood industry
- TFS benefits from factors that are difficult to replicate, leading to exceptionally high barriers to entry
  - specialised forestry expertise, concentrated water supply, suitable soil and climatic conditions, access to land, processing expertise

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