



Vertically
Integrated
Sandalwood
Company



TFS Corporation Ltd

March 2014

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- World's largest owner and manager of sustainable Indian Sandalwood plantations.
- Fully vertically integrated with operations comprising large scale cultivation, plantation, processing and sales and distribution.
- Established first commercial plantations in 1999 and now manages almost 7,600 hectares across 42 plantations in prime agricultural areas in northern Australia.
- Fifteen years experience in R&D aimed at optimising plantation yield and developing distribution networks and end markets for both wood and oil.
- Uniquely positioned to capitalise on attractive global supply/ demand dynamics and the expected price inflation of Indian Sandalwood heartwood and oil.

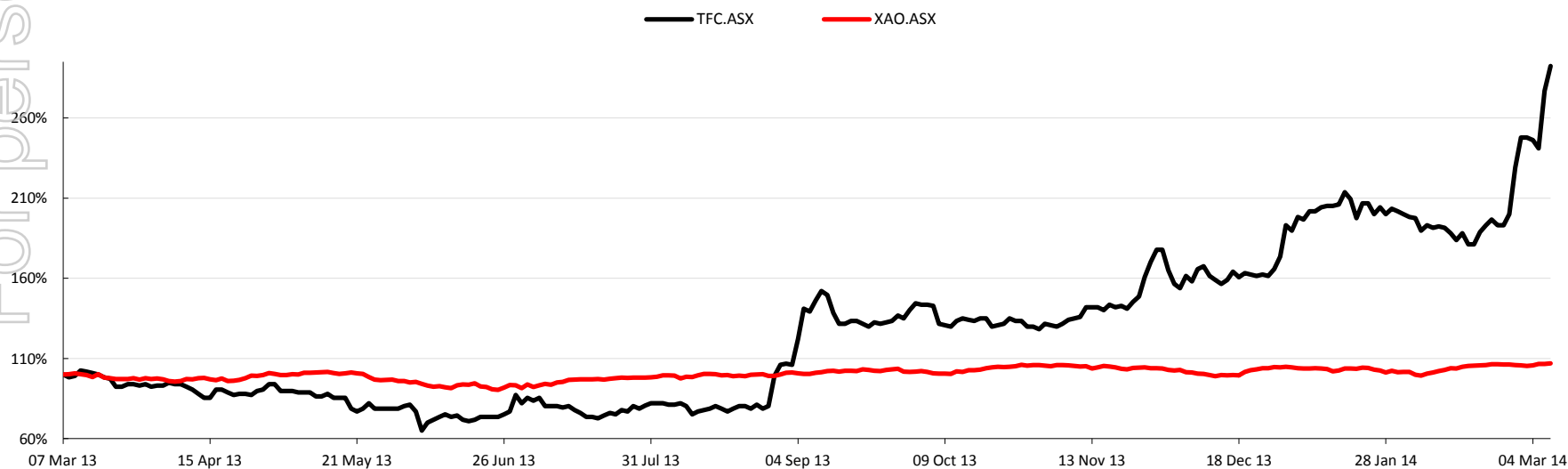
TFS at a Glance

Capital Structure

Share price at 7/3/14	\$1.71
Market Capitalisation	\$483m
Earnings per share (1H14)	1.16 cps
NTA per share	80c
Gearing (net debt / net debt + equity)	28%

TFS to enter ASX300
on 21 March 2014

Price history and performance against the All Ordinaries for the period: 7 March 2013 – 7 March 2014



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What is Indian Sandalwood?

- Indian Sandalwood (*Santalum album*) is one of the world's most valuable hardwoods.

- Traded commodity for over 2,000 years and declared a royal tree in India in 1792.

- Recognised as a Vulnerable Species on the International Union for Conservation of Nature (IUCN) Red List.

- Value lies in the heartwood, the inner most layer of timber, which can also be distilled into oil.

- Heartwood found at the core of Indian Sandalwood has many applications and end markets both as wood and oil, including in pharmaceutical, perfumery products, fine carvings and furniture.

HEARTWOOD OF INDIAN SANDALWOOD



MATURE INDIAN SANDALWOOD TREES



Strength of TFS Market Position



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- TFS is the world's largest manager and owner of sustainable Indian Sandalwood plantations.
- Strong competitive position as there are limited alternative sources of supply.
 - TFS is the world's only supplier of pharmaceutical grade sandalwood oil.
- High barriers to entry.
 - Planting to harvest cycle of 15 years.
 - Operational expertise and intellectual property developed over 15 years.
- TFS has Australia's largest Sandalwood oil distillery with capacity to convert c2k tonnes of heartwood to oil each year.
- Diverse range of high value and high volume uses and markets for Indian Sandalwood.
 - Demand likely to increase significantly as security of supply is proven.
 - Demand from oil and value-added wood markets likely to add pricing tension.

Plantation Assets

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- TFS manages the largest Indian Sandalwood plantations in the world with c7,600 hectares planted, of which TFS owns 2,340 hectares.

Plantations strategically located across three states offering optimal growing conditions, including fertile land and abundant irrigation.

- TFS manages plantations on behalf of institutional investors (36% of total plantations under management) and retail investors (33%).

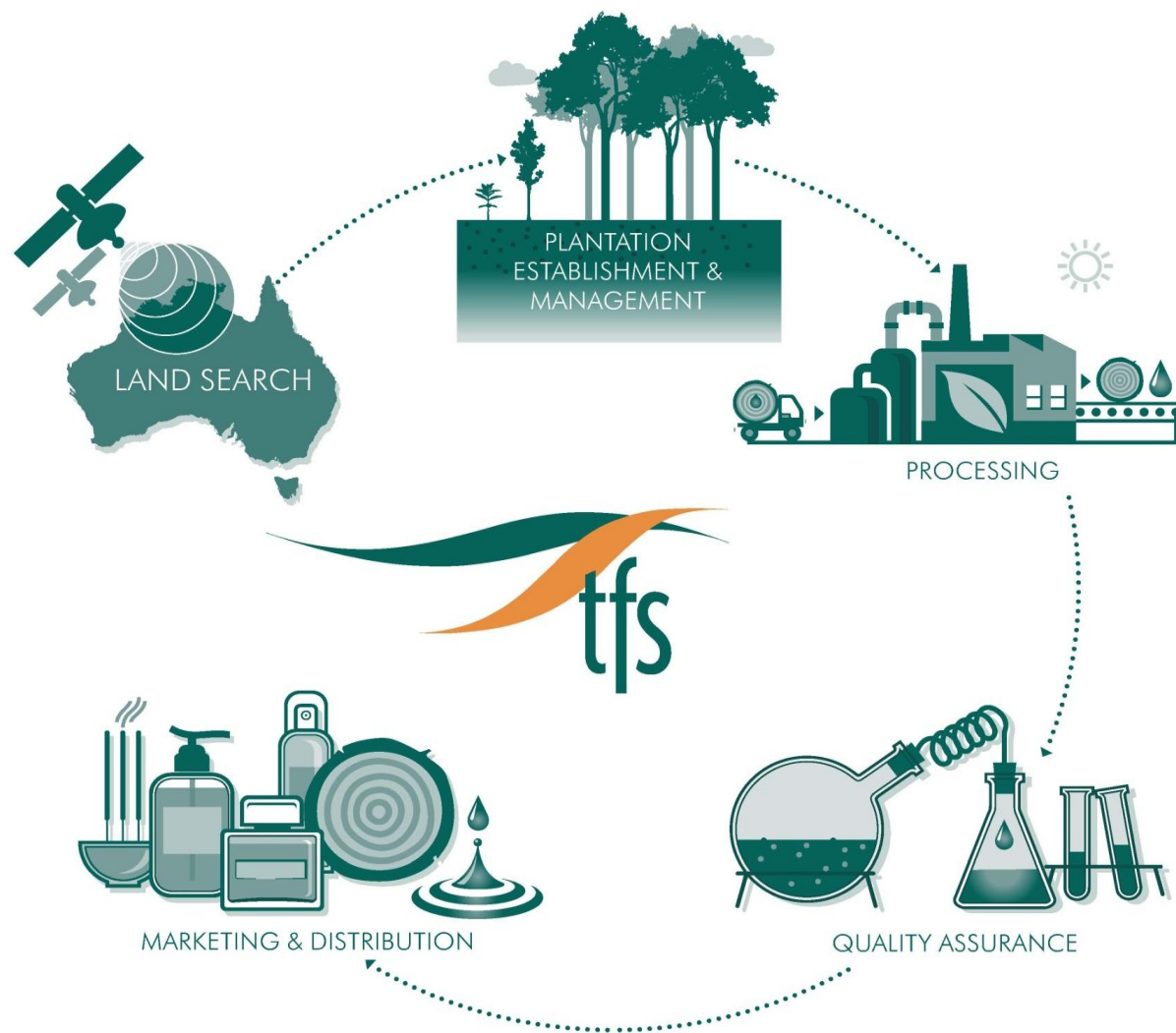
- TFS also owns a further 2,491 hectares of unplanted land, which will be developed and planted over the next two to three years, and has a further c3,000 hectares under contract.



CORPORATE STRATEGY



Vertically Integrated Business Model



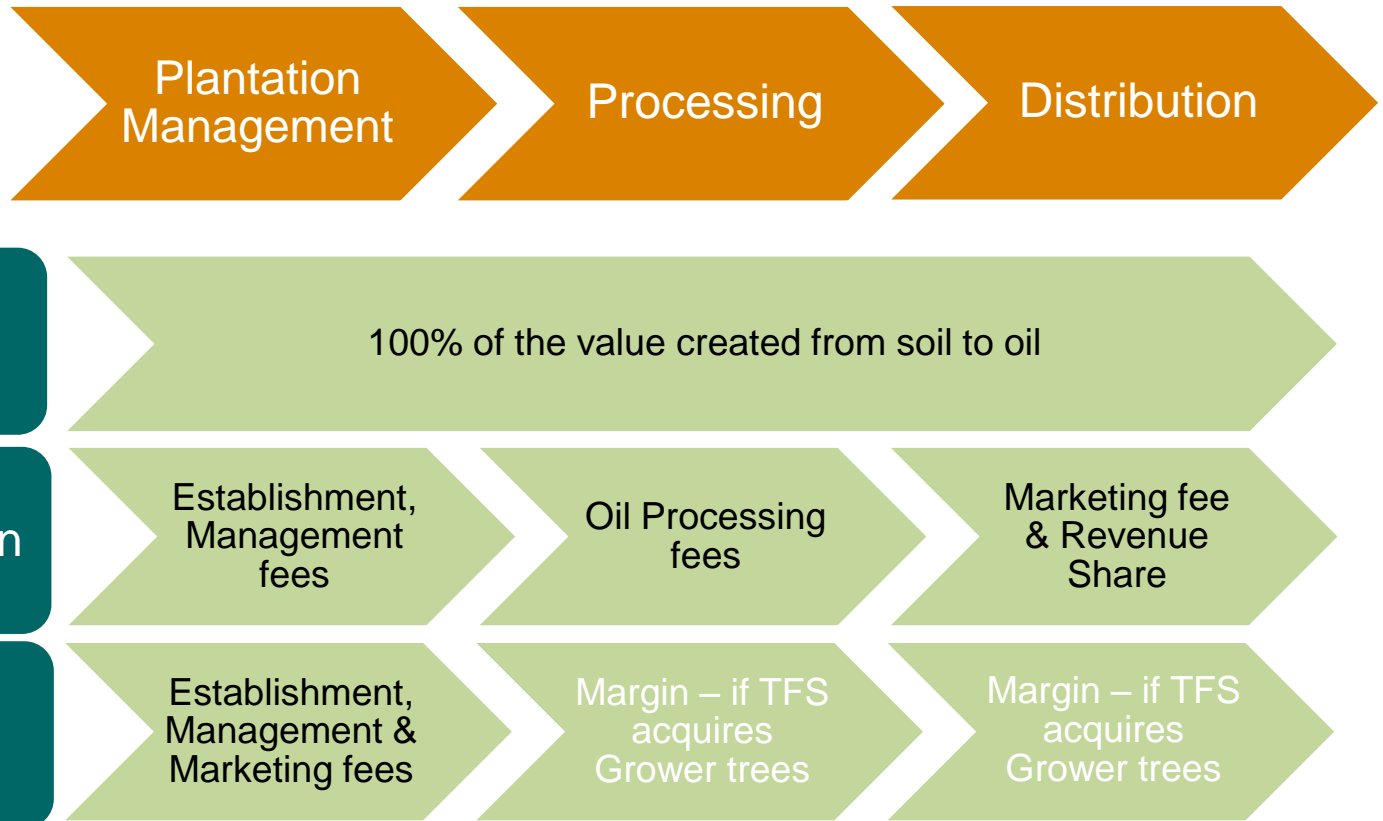
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Plantation Ownership

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	INSTITUTIONAL INVESTORS	RETAIL INVESTORS	TFS OWNED
	BEYOND CARBON (2,723 hectares)	MIS (2,512 hectares)	TFS (2,340 hectares)
Land acquisition and plantation establishment	<ul style="list-style-type: none"> Upfront margin on selling land and establishing plantations to wholesale investors 	<ul style="list-style-type: none"> Upfront establishment fees Annual interest payments (if the Grower elects Arwon financing) 	<ul style="list-style-type: none"> TFS has direct ownership of 1,714 ha of plantations and a further 2,491 hectares of land that will be planted over the next 2-3 years
Plantation management	<ul style="list-style-type: none"> Annual maintenance and management fees 	<ul style="list-style-type: none"> Annual maintenance and management fees Lease income 	<ul style="list-style-type: none"> TFS builds an indirect interest in MIS trees when growers elect to defer their annual lease and management fees – total of 626 hectares
Oil processing, R&D, marketing and distribution	<ul style="list-style-type: none"> Oil processing fees Performance fees for above 'single-digit' returns Marketing and distribution fees 	<ul style="list-style-type: none"> Potential for TFS to buy Grower wood which would lead to TFS earning the margin from the post-harvest (ie: processing, distribution and exclusive supply) parts of the supply chain 	<ul style="list-style-type: none"> Processing and value-add for end markets Margins on wood acquired from third party (eg: Australian Sandalwood) and on-selling to end-users

Capturing Value Through the Supply Chain



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A Broad Range of End Markets

- Significant demand from China and India – Indian Sandalwood is culturally important and used for fine furniture, carvings, beads and a wide range of consumer products.
- Continued investment in Santalis JV to develop over-the-counter and prescription drugs which utilise pharmaceutical grade East Indian Sandalwood oil.
 - First significant supply agreement recently finalised for dermatology products with more deals in the pipeline.
- On-going investment to build a broad range of end markets – this is expected to introduce competitive pricing tension for both heartwood and oil.
 - Increasing demand for oil from Asia and the Middle East.
 - Global fragrance and cosmetic industries – resurgence on the back of sustainable supply.

PHARMACEUTICAL



SUPERIOR HEARTWOOD



SKIN CARE



EMBEDDED VALUE



Underlying Value of Plantation Assets

Illustrative value chain -



Note 1: Key assumptions include: (i) survival rate – 80%, (ii) heartwood yield – average yield estimated at 20 kg per tree, (iii) expected oil yield of 3.7%, (iv) oil price of US\$4,500, and (v) FX rate of AU\$1.12 to USD.

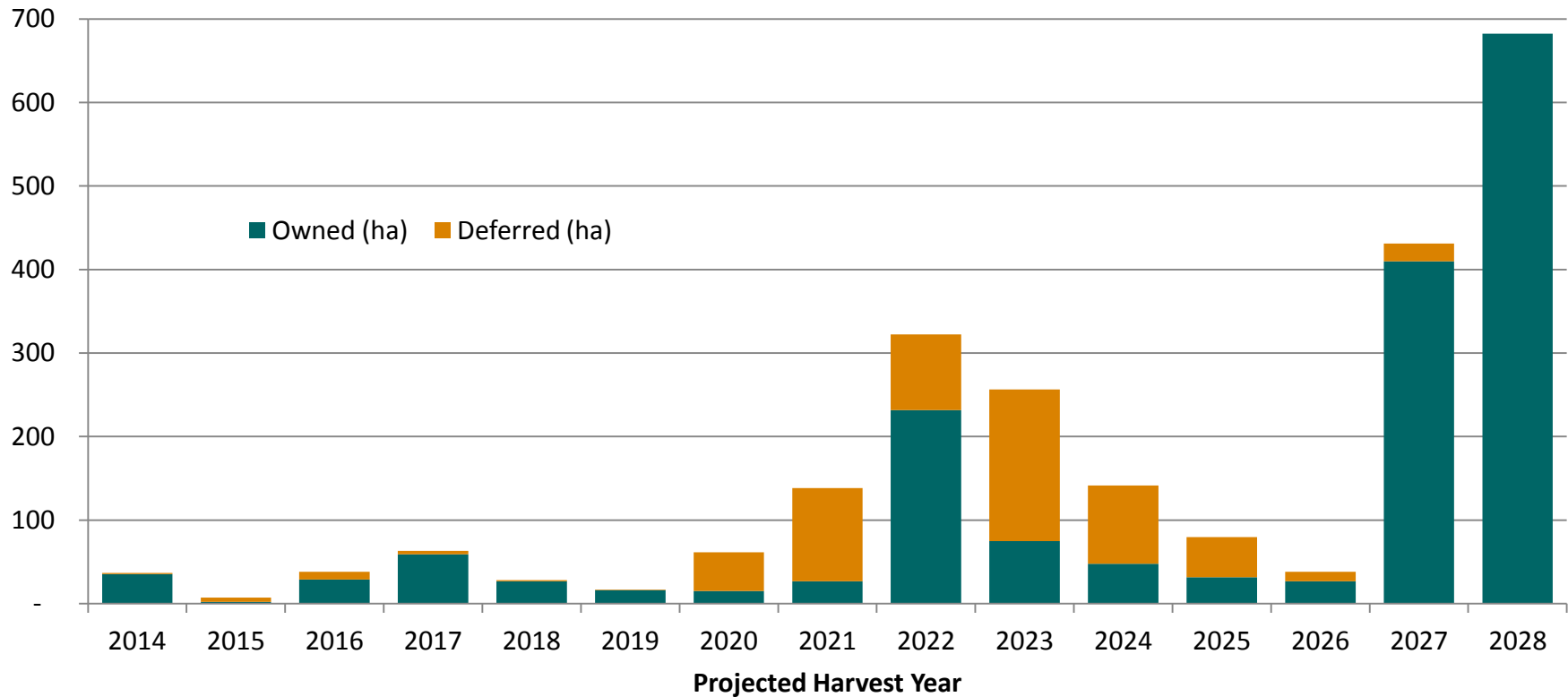
Note 2: Gross and undiscounted yield before maintenance, harvest, processing and distribution costs.

Note 3: Value of \$1.6m per hectare is generated from all parts of the “soil to oil” value chain.

TFS Owns 2,340 Hectares of Plantations

- Value of the gross undiscounted oil yield from TFS's plantations valued at c\$3.7bn².

Ownership by Harvest Year – TFS Owned (Direct and Indirect¹)



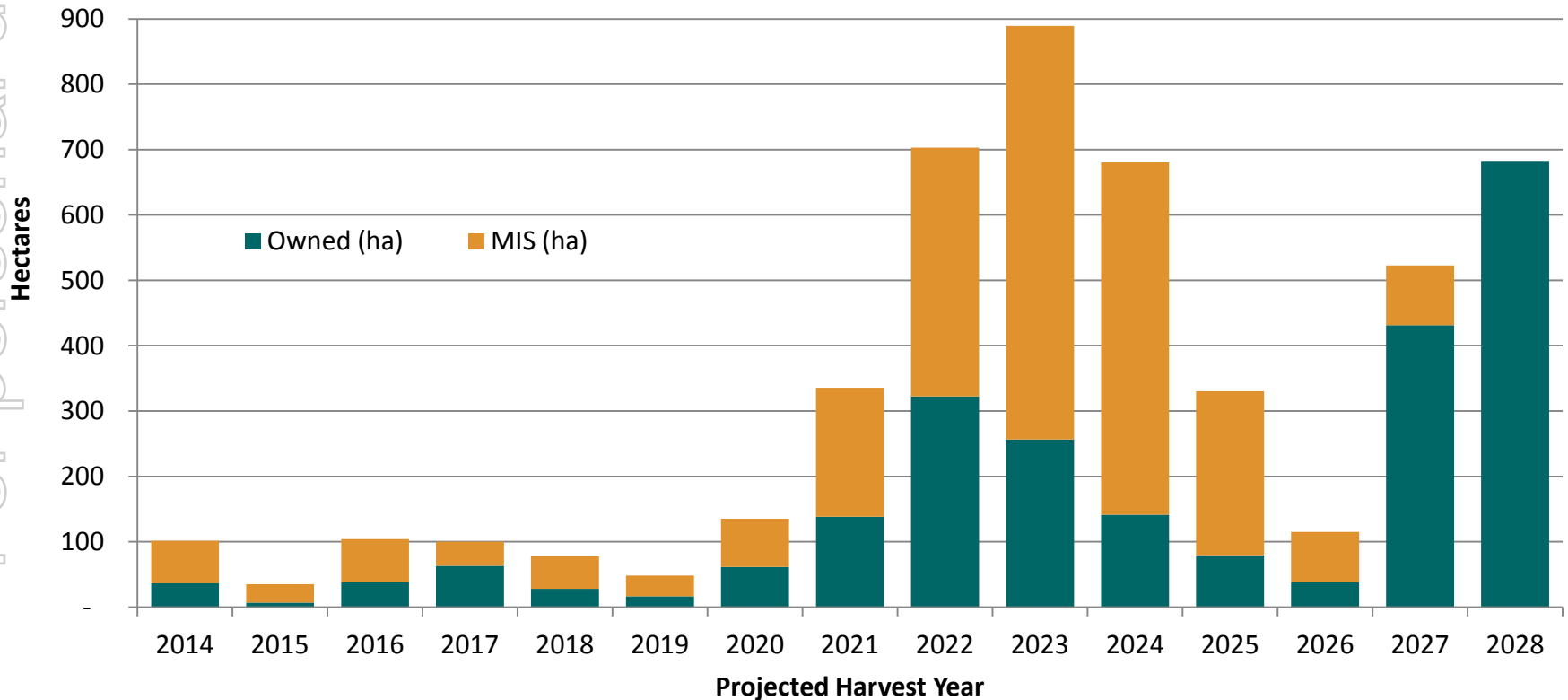
Note 1: TFS indirect plantation interests are created by MIS Growers electing to defer annual lease and management fees.

Note 2: Assuming all TFS's harvests are converted to oil and sold at US\$4,500 per kg. Valuation is significantly higher than the fair value on the Group's balance sheet reflecting the value added after harvest from processing and distribution.

Additional Opportunity to Acquire Grower Trees

- Harvest from the plantations owned by retail investors will be sold at auction. TFS is well placed to acquire this heartwood to access the margin from the processing and distribution parts of the TFS value chain.

Hectares by Harvest Year - TFS Owned (Direct and Indirect) & MIS



BUSINESS UPDATE



New Supply Agreement with Global Pharmaceutical Company



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- A landmark deal for TFS which confirms a market price for TFS oil and provides the final component in the “soil to oil” value chain.
- Global pharmaceutical company has an extensive product set, available in 80 countries.
- Exclusive supply agreement has the potential to consume a large proportion of TFS’s oil over the long-term.
- Contracted oil price provides an attractive return to TFS.
- TFS expects a suite of future supply agreements with pharmaceutical companies for other dermatology products and skin indications.

Multiple Drivers of Value



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- Increase direct ownership of plantations.
- Acquire the harvest from retail growers' plantations at auction.
- Source additional quality land.
- Develop new plantations and operations in the Northern Territory.
- Broaden number of investors and level of investments in Beyond Carbon and MIS products.
- Drive off-take demand and pricing across all *existing* markets.
- Build *new* markets with significant potential in pharmaceutical and traditional Eastern medicinal sectors.
- Interests in Santalis (US joint venture with ViroXis) and ViroXis itself provide further significant upsides.

Enhanced Team and Governance Framework

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- Appointment of new independent Non-Executive Chairman, Patrick O'Connor.
 - Currently Non-Executive Director at Buccaneer Energy and Chairman of Bravura Capital Pty Ltd.
 - Formerly Chairman of Water Corp and Deputy Chairman of Perilya Limited.
- Appointment of new CFO, Alistair Stevens, previous CFO of ThinkSmart Limited and Deputy CFO of British Sky Broadcasting PLC.
- On-going process of Board renewal in line with the Group's growth strategies.
- Implementation of enhanced governance framework with a number of new or updated charters and policies.

Summary: Good Progress, Significant Opportunities Ahead

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- Good progress on strategy to increase ownership of the underlying resource – TFS owned plantations up by 12% in the last six months to 2,340 hectares.
- First commercial harvest commenced in September 2013 and confirmed the oil quality and oil content of TFS heartwood – the balance of the harvest will be completed in April/ May.
- Recent supply agreement with global pharmaceutical company validates the “soil to oil” strategy and establishes a new benchmark price for oil.
- TFS is well placed to match prior year sales volumes in the coming selling season and to sign up new institutional investors in the Beyond Carbon and MIS product.
- Value of Indian Sandalwood expected to increase over time due to favourable demand/ supply balance and tension between competing wood and oil markets.

QUESTIONS



APPENDIX



Interim Results for Six Months to Dec 2013

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Total
Revenue

\$55.0m

Cash
EBITDA

\$(9.0)m

Net profit
after tax

\$3.2m

NTA
per share

80c

Owned
Plantations ¹

2,340ha

- Near term earnings are driven largely by MIS and Beyond Carbon sales, which are historically skewed to the fourth quarter of each financial year.
- The Board expects to maintain a final dividend based on the full year results in August 2014.

Note 1: Total of TFS's direct (1,714ha) and indirect (626ha) owned plantations.

Balance Sheet Reflects Increased Tree Ownership

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	Dec 13	June 13	Change	
Owned plantations ¹	2,340 ha	2,084 ha	12%	↑
Biological asset value ²	\$261m	\$191m	37%	↑
NTA per share	80c	81c	-1%	↓
NTA	\$225m	\$226m	-%	↔
Cash balances	\$43m	\$57m	-25%	↓
Net Assets	\$321m	\$325m	-1%	↓
Gearing ³	28.1%	24.9%	13%	↑

Note 1: Total of TFS's direct (1,714ha) and indirect (626ha) ownership in plantations.

Note 2: Biological Asset value relates to TFS's direct (1,714ha) owned plantations only.

Note 3: Financial liabilities include US\$150m of senior secured notes with a maturity date in July 2018.

Historical Operating Results

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(\$m)	1H14	FY13	1H13	FY12	1H12
Total revenue	55.0	187.7	45.4	126.8	56.1
Net profit after tax	3.2	55.7	4.8	25.9	6.0
EBITDA	16.6	101.0	15.9	55.0	21.0
Earnings per share	1.16c	19.9c	1.72c	9.29c	2.15c
Cash operating revenue	27.2	121.7	18.4	88.4	36.6
Cash net profit after tax	(14.7)	21.3	(14.1)	6.6	(3.0)
Cash EBITDA	(9.0)	51.8	(11.1)	23.8	8.1