



Vertically
Integrated
Sandalwood
Company



TFS Corporation Ltd

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Frank Wilson, CEO



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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 over 7,600 hectares across 42 plantations in prime agricultural areas in northern Australia. When 2014's new plantings are complete, the total estate is expected to total around 9,100 hectares.
- Fifteen years experience in R&D aimed at optimising plantation yield and developing distribution networks and end markets.
- Uniquely positioned to capitalise on attractive global supply/ demand dynamics and the expected price inflation of Indian sandalwood heartwood and oil.

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 – as a wood product or as processed oil - including in pharmaceutical and perfumery products.

HEARTWOOD OF INDIAN SANDALWOOD



MATURE INDIAN SANDALWOOD TREES



Strength of TFS Market Position

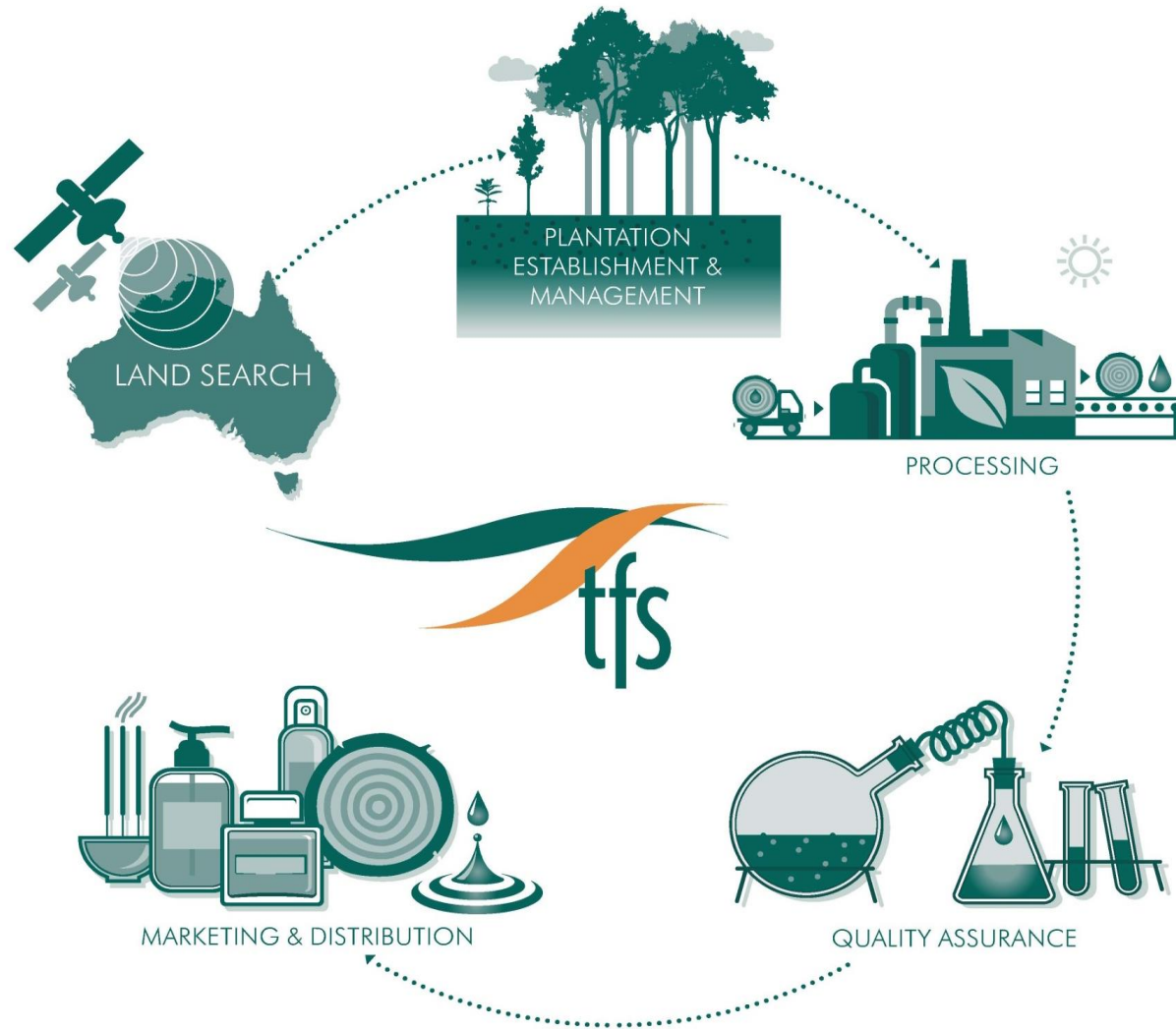
- TFS is the world's largest manager and owner of sustainable Indian sandalwood plantations.
- Strong competitive position as there are limited alternative sources of supply.
 - TFS is the world's only supplier of pharmaceutical grade sandalwood oil.
- High barriers to entry:
 - Planting to harvest cycle of 15 years.
 - Operational expertise and intellectual property developed over 15 years.
- TFS has Australia's largest sandalwood oil distillery with capacity to convert c2,000 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 log markets likely to add pricing tension.

Plantation Assets

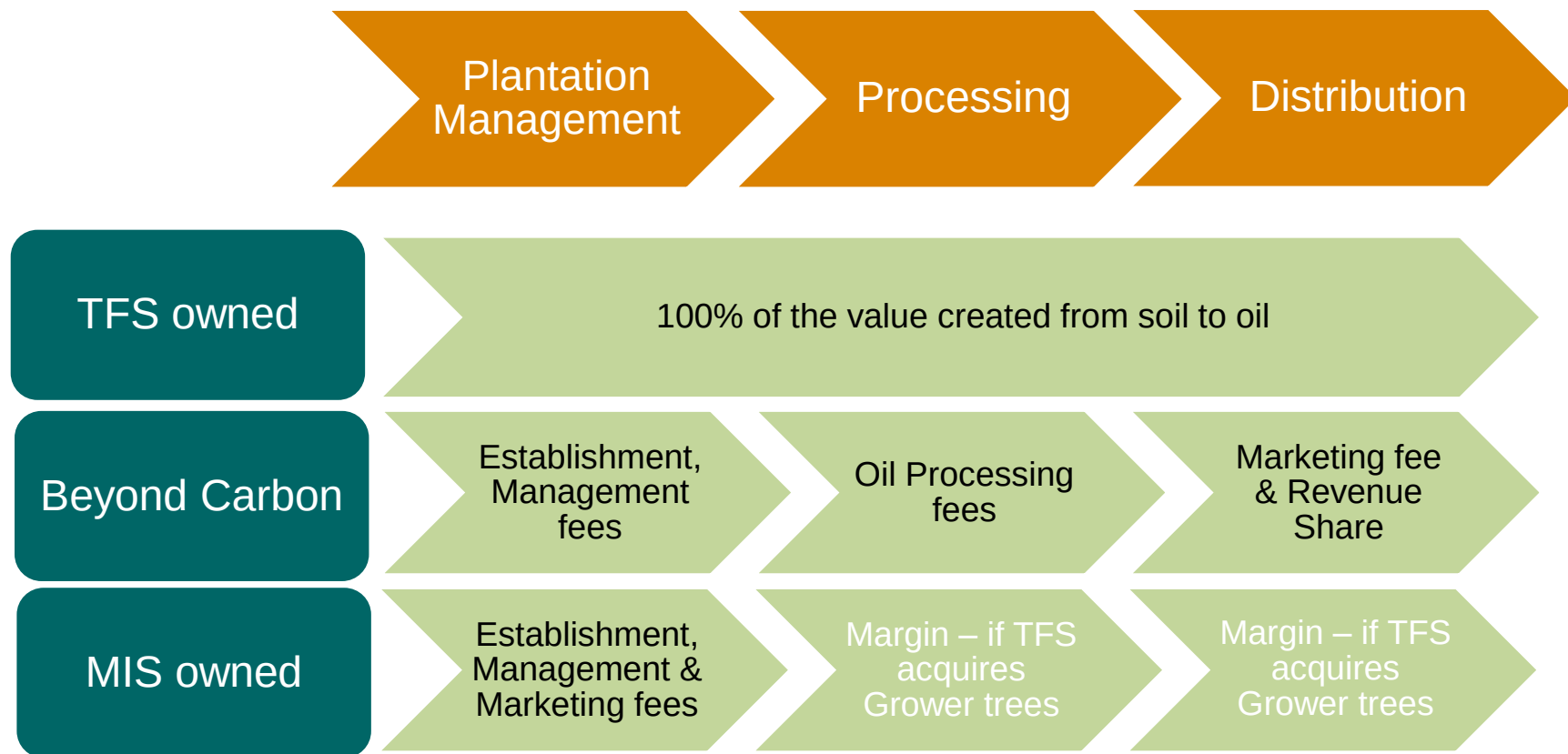
- TFS manages the largest Indian sandalwood plantations in the world with c7,600 hectares planted (2,340 ha owned by TFS).
- Around 1,600 ha of new plantations will be established in 2014 and this will be TFS's largest ever programme of new plantings. As a result the total estate will increase to c9,100 ha.
- 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%).



Vertically Integrated Business Model



Capturing Value Through the Supply Chain



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.

BUSINESS UPDATE



First Harvest to be Completed in June

- First harvest proceeding as expected and is set to finish in June, with oil quality already confirmed to be pharmaceutical grade. Heartwood yields from this pioneering plantation are, as previously reported, significantly lower than TFS expects from subsequent vintages.
- TFS owned wood has already been harvested and is currently being processed into oil. By early July, TFS expects to have shipped a total of 470 kg of pharmaceutical grade sandalwood oil to the US.
- Grower wood will be sold at auction by Gray's Online, scheduled to be held in July.



Supply Agreement with Global Pharmaceutical Company

- In February, TFS finalised a landmark deal which established a market price for TFS oil and provided the final component in the “soil to oil” value chain.
- Exclusive supply agreement has the potential to consume a large proportion of TFS’s oil over the long-term. Total orders to date of 470 kg (AU\$2.3m) are being used in commercial scale production trials for skin products that will initially launch in the US in Q414.
- Contracted oil price provides an attractive return to TFS and Beyond Carbon investors.
 - TFS has made significant investments to build new distribution channels.
 - TFS expects a suite of future supply agreements with pharmaceutical companies.
- Value of the gross undiscounted oil yield from TFS’s plantations valued at c\$3.7bn¹.
- Valuation is significantly higher than the fair value of the plantations on the Group’s balance sheet reflecting the value added after harvest from processing and distribution.

Note 1 – Estimate is undiscounted and excludes all costs. Estimate assumes all TFS-owned trees are converted to oil at US\$4,500 per kg. TFS has direct ownership of 1,714ha and an indirect ownership of a further 626ha.

Well Placed for Future Expansion



Recent \$67m institutional placement means TFS is well placed to pursue a range of accretive opportunities. Such as:

- Increase direct ownership of plantations.
- Acquire the harvest from retail growers' plantations at auction.
- Source additional quality land.
- Drive demand and pricing for sandalwood across all *existing* markets, including perfumery.
- Build *new* markets - significant potential in pharmaceutical and traditional Eastern medicinal sectors.
- Develop Santalis, US joint venture with ViroXis, which creates and licenses skincare products using Indian sandalwood oil.

Summary: Good Progress, Significant Opportunities Ahead

- Good progress on strategy to increase ownership of the underlying resource – TFS owned plantations up by 12% in the six months to December 2013...with continued growth expected.
- First commercial harvest to complete in June which confirms the oil quality and oil content of TFS heartwood.
- Recent supply agreement with global pharmaceutical company validates the “soil to oil” strategy and establishes a new benchmark price for pharmaceutical grade oil.
- TFS is well placed to match prior year sales volumes in the coming selling season and to sign up additional new institutional investors in the Beyond Carbon product.
- Value of Indian sandalwood expected to increase over time due to favourable demand/supply imbalance.

Q&A

