



Tandou Limited

March 2011

Sustainable Water Investor and Agribusiness



Tandou Overview

- Tandou owns and operates a growing portfolio of water entitlements **37,867 megalitres** in the Connected Murray system
- Tandou owns large scale **irrigated cropping (13,200ha's)** and **pastoral operations (65,000ha's)** in Western New South Wales
- Tandou operations are **diversified** with the ability to generate earnings from its sale of annual water allocations and/or crop production
- Value is also generated through the **capital growth** of water entitlements and agricultural land assets
- **Tandou** commenced in **1970** as a privately owned farming operation growing cereal on Lake Tandou and listed on the **ASX in 1987**

Water and Agribusiness

“Whiskey is for drinkin’ and Water is for fightin’”

– *Mark Twain*

“Go long Agriculture and Water and go to the beach”

*Larry Fink – Black Rock Founder and CEO , The Australian, 1
Feb 2011*

Global Fresh Water

Nearly 70% of the world's fresh water is locked up in ice. Most of the rest is in aquifers that we are draining much more quickly than the natural recharge rate.

66% of our water is used to grow food.

With **83 million people more** on earth each **year**, water demand will keep going up.

– National Geographic, April 2010

Tandou

- Tandou is well positioned in the **water investment** sector with a large portfolio of entitlements and a number of years of profitable returns from the water business
- Tandou Farm is a valuable strategic asset which provides the company with the **option of cropping** when returns from selling allocations become less than those available from soft commodity production
- Tandou provides an investment opportunity for those investors seeking exposure to both **water** assets and **soft commodities** (**cotton** and **cereals**) in Australia



Tandou 2010 Results

- Operating profit from **continuing operations** before interest and tax of **\$3.4 million** - 65% improvement on 2009
- Reportable profit **\$6.0 million** after adjustment for income tax benefit
- **\$8.9 million** new investment in **water entitlements** during 2010
- **Water segment** profit of **\$3.5million** EBIT (2009: \$5.0 million) despite falling water allocation prices. Revenue \$7.1 million (2009: \$9.7 million)
- **Cropping segment** profit of **\$2.5million** EBIT (2009: (\$0.9) million)

Tandou Water

- Tandou is **growing** its strategic holding of water assets adding to a significant, diversified portfolio of entitlements held on the Connected Murray System;
- Tandou owns 37,867 megalitres (2009: 32,386 megalitres) with a value of **\$37.7 million – 43 cents per share**;
- Water investment strategy focussed on ;
 - Entitlements with more acute supply and demand factors to the wider entitlement pool
 - Quality of entitlement by assessing allocation history, outlook, carryover capacity and potential step changes in demand
- Tandou is well placed to **identify value buy opportunities** that arise for Water entitlements

Water Value Drivers

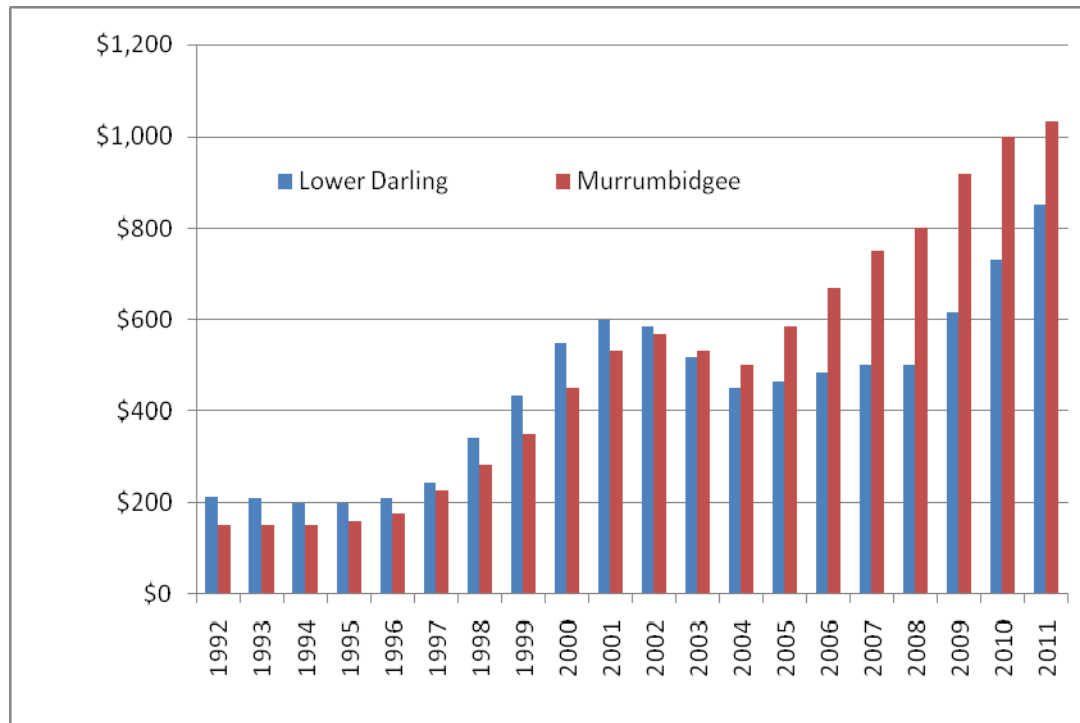
- **Reduced supply** of entitlements for agricultural production
 - Cap on new licenses – no new licenses being issued
 - Commonwealth water buyback – reducing water for consumptive use

- **Increased demand** for water
 - Population growth – Urban demand
 - Food demand
 - Environmental demand is increasing

- **Improved water market liquidity** and price transparency
 - Market continues to develop
 - Participants knowledge improving

- **Climate Change**
 - Volatile rainfall and water supply

Tandou Water – Capital Growth



General Security Murrumbidgee
CAGR - 10.5%

General Security Lower Murray
CAGR - 7.4%

Tandou independent annual Water values over 20 years
(3 year moving average)

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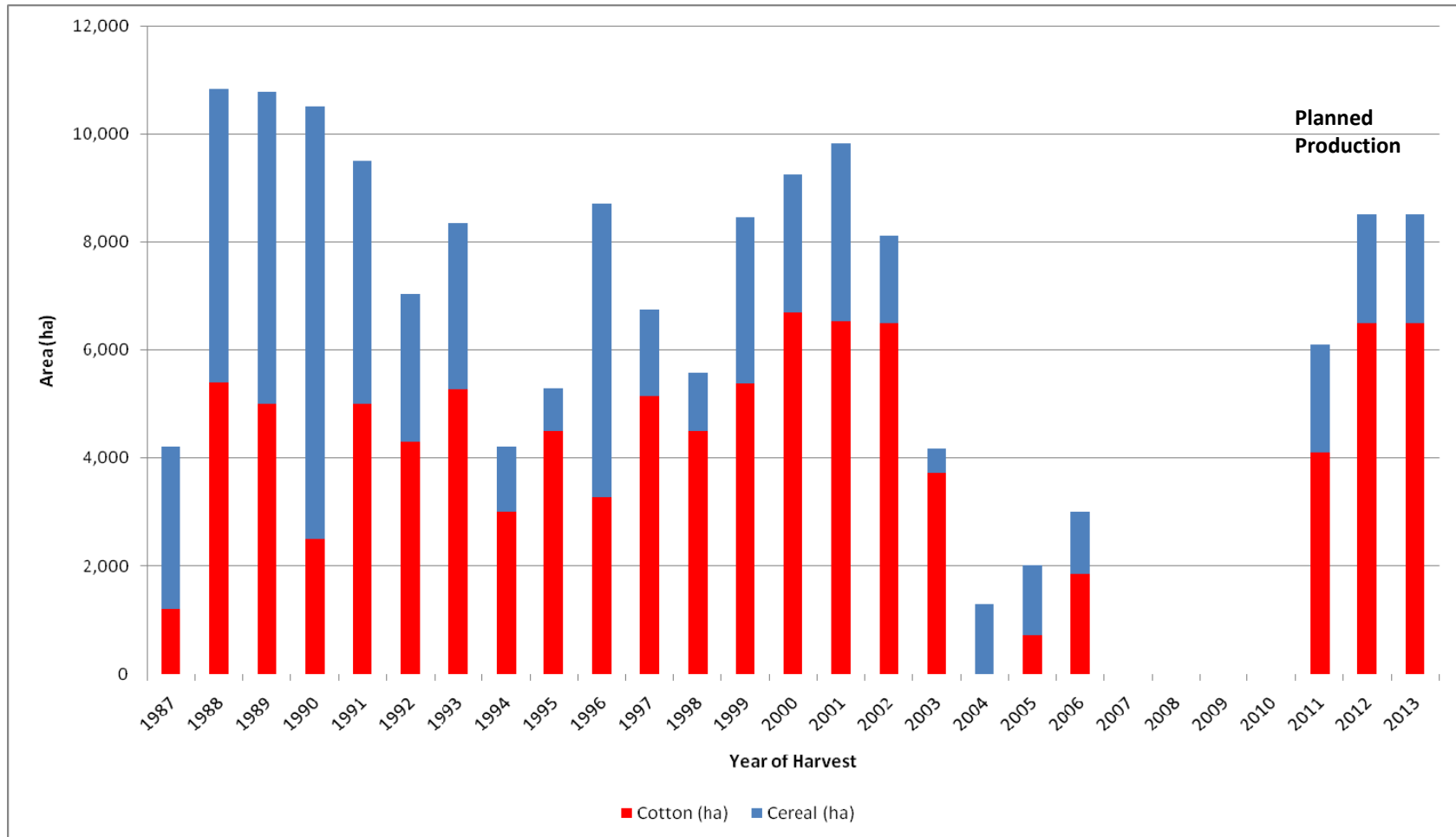


Tandou Farm



- Tandou Farm successfully established **4,000ha** of cotton being 3,560ha of Upland and 440ha of Pima
- Above average rainfall and floods have not impacted crop significantly
- Cotton sales policy based on 4 tranche scale up, ranging from 4.5 bales/ha with known water availability, to 8 b/ha at crop yield assessment (during Feb)
- Forward pricing on 2011 crop at \$494 per bale for Upland and \$715 per bale for Pima
- Preparing for **2,000ha of cereal** and **6,500ha of cotton in 2012**
- Organic Lamb production based on 9,500 Dorper ewes

Tandou Cotton and Cereal planting area



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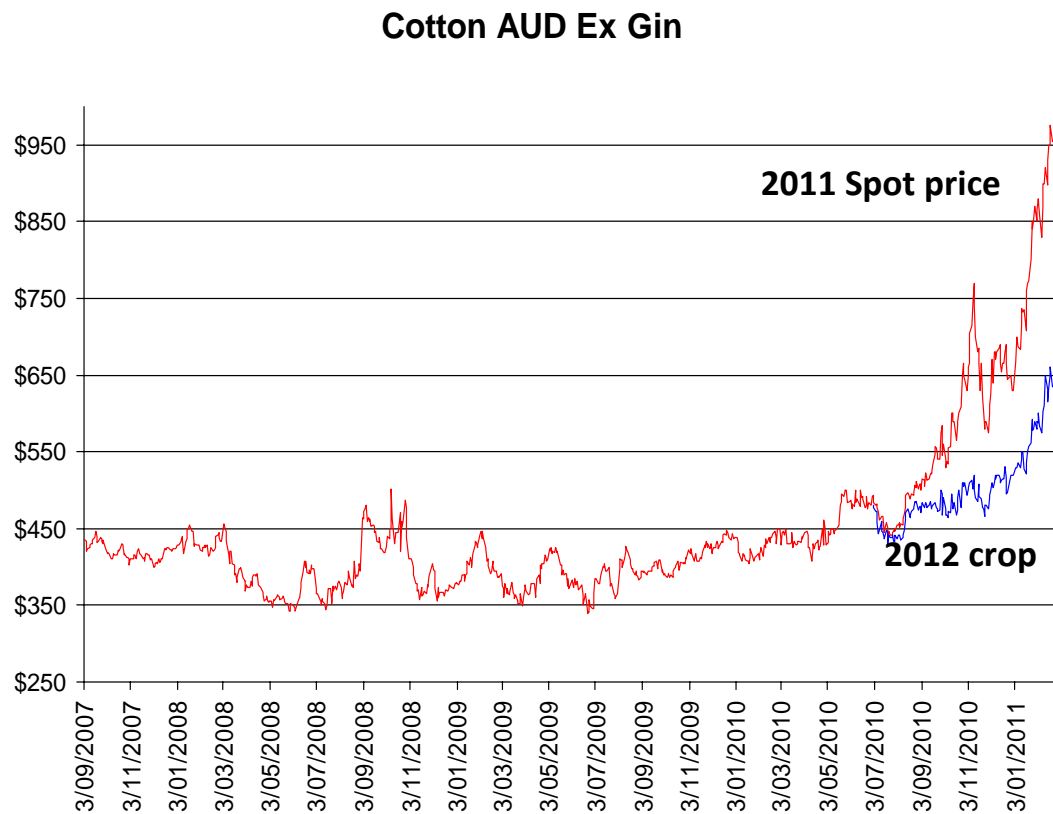


Tandou Farm

March 2011



Cotton Prices 2007 - 2011



KEY MARKET FACTORS:

-tight global inventories (stocks-to-use ratio lowest since 93/94)

-Pakistan Floods, Indian export controls and China drought

-resurgence in demand from Chinese mills

-volatility likely to continue until Northern hemisphere production becomes known

Tandou Outlook

- *maximizing yield from water investment or cropping*
- *listed investor vehicle of choice for water investment in Australia*

- Aim to be largest water entitlement holder in Connected Murray System
 - Accumulate water entitlements in specific valleys for long term growth in value
- Optionality; Tandou Farm generates soft commodity crops- when water is available & allocation prices lower
 - 4,000ha 2011 cotton crop to be harvested in May (total crop sold)
 - Continue preparations for 6,500ha's 2012 cotton crop (55% sold) and 2,000ha cereal crop 2011
- Build shareholder value with predictable cash flow, sustainable profits and capital growth

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