



Graham Stuart & Associates

Teak and Agarwood 15 Year Combined Investment



Combined Tree Price List

Quantity	Price per 600 trees (1 Unit)
1 Units	£20,000
10 Units	Call for a quote

Please note that all prices are correct at time of going to press and are quoted in UK Pounds Sterling.

Why invest in Combined Teak and Agarwood plantations?

When investing in just one type of tree, owners can achieve the largest potential returns over the long term. But by combining teak with agarwood and utilising the latest inter-planting husbandry methods, returns can start coming in much faster - from Year 6 of the investment, with further returns at Years 9 and 15.

There is also a practical physical benefit to inter-planting teak with agarwood. The teak grows quicker, providing valuable cover for the agarwood tree. Young agarwood flourishes when planted in the shade, and in particular under a forest canopy which the teak provides.

The graph below shows the forecast returns on a £20,000 initial investment (totalling £35,000 with annual maintenance) of a 600 tree plantation combining teak and agarwood.

It is worth noting that at Year 6, when the agarwood is harvested and the land cleared, it could be replanted with agarwood again providing a further income of £60,000 at Year 12. This would involve a further investment of approximately £15,000 (including annual maintenance). This can be paid out of your Year 6 harvest profits, while still leaving you with a profit at Year 6!

The following projections are based on 600 trees
300 Agarwood & 300 Teak

Investor Buys 600 Trees - 300 Agarwood Saplings & 300 Teak Tissue Culture Saplings = £20,000

Maintenance x 6 Years = £12,000

Followed by Maintenance x 3 Years = £3,000

Total Maintenance = £15,000

Total Outlay Over 15 Years = £35,000

Harvest Value Year 6 = £60,000
(300 Agarwood trees @ £200 per tree)

Harvest Value Year 9 = £55,170
(90 Teak trees thinned @ £613 per tree)

Harvest Value Year 15 = £246,540
(210 Trees @ £1,174 per tree)

Total Harvest Value = £361,710

Net Harvest Value = £325,539

Profit = £290,539

Combined Projections - 600 Trees

Number of Trees	Price Per Tree	Total Value	Care & Maintenance Fee	Total Outlay (Over 15 Years)	Projected Harvest Value	Less Harvest & 5% Profit Share	IRR%	Total Net Return
600	£33 (For both Agarwood and Teak)	£20,000	£2,000 pa (6 years) £1,000 pa (3 years)	£35,000	£60,000 (Agarwood Year 6) £55,170 (Teak Year 9) £246,540 (Teak Year 15)	-£36,171	16.03%	£325,539

This table shows the projected growth, harvests and yields from planting 300 teak trees and 300 agarwood trees

The Teak projections are based upon a conservative lumber price of £0.72 per board foot for the first thinning, increasing at an annual rate of 6% for the subsequent thinnings and the final harvest. The Agarwood projections are based upon a conservative price of £446 per kilo for the Agarwood chips, and are calculated using the lowest grade of chip available. The process of

extracting the Agarwood is very labour intensive. The 5% profit share is retained by Oxigen as our Harvest profit.

The harvest and processing costs cover milling your trees and we have allowed a generous 10%. The actual costs are lower than this. The care and maintenance fees are what we deduct from your harvest revenues starting at year nine for growing and maintaining your trees.



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Notes to projections

THE PROJECTIONS IN THESE TABLES, AND THE EXPLANATORY NOTES, ARE PROVIDED FOR YOU TO BETTER UNDERSTAND THE PROCESS OF GROWING AND HARVESTING AQUILARIA TREES. WHILST WE BELIEVE THESE ESTIMATES OF GROWTH, COSTS AND YIELDS TO BE FAIR AND REASONABLE, WE CANNOT GUARANTEE THE FUTURE VALUE OF YOUR TREES, NOR THE PROCEEDS YOU WILL RECEIVE FROM THEIR HARVEST. WE ENCOURAGE YOU TO SEEK THE COUNSEL OF AN INDEPENDENT PROFESSIONAL WHO CAN EVALUATE THE REASONABLENESS AND ACCURACY OF THESE PROJECTIONS.

1. The projections above are based upon a conservative estimate of yield based upon using 40 trees with diameters at breast height that ranged from 10 to 19 cm. Four groups of ten trees were treated with varying application methods using the technology presented in U.S. This technology has been licensed to Cultivated Agarwood LLC. In September 2006, one year after the demonstration began, the trees were evaluated and some trees cut. One year later (two years after the start of the demonstration) in October 2007 the remaining trees were harvested and assessments of agarwood development as well as analyses of the agarwood.

2. The projections in Table 1 are based upon the price of agarwood chips extracted from the agarwood, from a 10 cm section of the trees revealed 15 to 88 grams of resinous wood depending on the type of application used. This equals approximately 150 to 880 grams.

3. The amount that can be produced may vary depending on local conditions but a conservative estimate based on harvests of treated trees is approximately 10 to 50 grams of high quality resinous wood chips, 200 to 250 grams of medium quality agarwood chips and a kilo or more of lower quality agarwood chips and powder per tree.

Our professional foresters, who monitor the growth profiles of your trees in the plantations, will report on the condition of your trees and help you determine the actual harvests of your trees.

Please also note that a period of time after any harvest will be required to process, extract and prepare the agarwood for the international export market if it is to be sold.

4. The usable height and diameter growth estimates are based upon growth rates obtained from plantations, studies and technology under Patent 6,848,211.

5. Our estimated volume per tree is calculated by: cross sectional area of the tree x the usable height of the tree or πr^2 times the usable height of the tree. These projections are based upon the volume of the trunks and include the additional wood volume that has been infected.

6. The amount of marketable wood per tree is stated in kilos, as this is how the end product is sold. The estimated amounts of marketable wood are based upon the estimated volume per tree in kilos. Then reduced by the estimated amount of processing waste, which is sawing losses and damage to the logs while being harvested, transported and processed.

7. The value per tree is arrived at by multiplying the number of marketable kilos per tree times the price per kilo at the time of harvest. See Notes 1 and 2 above.

8. Net harvest proceeds - The estimated net value of the infected timber from each harvest is arrived at by multiplying the estimated value per tree times the number of trees harvested.

9. Sales costs and profit share are the costs of harvesting your trees, extracting the agarwood and processing into the marketable product, maintenance and sale of your trees.

10. Net proceeds is a running total of your estimated returns from the harvests of your trees.

THE PROJECTIONS IN THESE TABLES, AND THE EXPLANATORY NOTES, ARE PROVIDED FOR YOU TO BETTER UNDERSTAND THE PROCESS OF GROWING AND HARVESTING TEAK TREES. WHILST WE BELIEVE THESE ESTIMATES OF GROWTH, COSTS AND YIELDS TO BE FAIR AND REASONABLE, WE CANNOT GUARANTEE THE FUTURE VALUE OF YOUR TREES, NOR THE LUMBER PROCEEDS YOU WILL RECEIVE FROM THEIR HARVEST. WE ENCOURAGE YOU TO SEEK THE COUNSEL OF AN INDEPENDENT PROFESSIONAL WHO CAN EVALUATE THE REASONABLENESS AND ACCURACY OF THESE PROJECTIONS.

1. The projections above are based upon a conservative lumber price of £0.72 per board foot for the first thinning increasing at an annual rate of 6% for the subsequent thinnings and the final harvest. It is important to note that although the young teak lumber from the first two thinnings is quite beautiful and wonderful for indoor furnishings, the majority of the teak from the first two thinnings is not yet weather resistant and it is that weather resistance of the older teak that gives teak its very high value on the international market, hence we have chosen to use a conservative figure.

On the other hand, the prices projected for the older teak for the subsequent thinnings and final harvest, £0.72 per board foot increasing at an annual rate of 6%, may well be quite low. According to the United Nations FAO publication Forest Products Prices, the actual median export/import prices of teak back in 1988 (the last year that the FAO published Forest Products Prices) averaged £1.64 per board foot, ranging from £0.87 to £2.41, depending upon dimension and quality. According to the ITTO (International Tropical Timber Organisation) as of 2006, the current wholesale price for Teak stands at £4.50 per board foot.

2. The projections in Table 1 are based upon the price of teak increasing at 6% per year. However, according to the United Nations FAO publication Forest Products Prices, the median export/import prices of teak actually rose at an average rate of 9.7% per year for the 15 years from 1970 to 1988 (the last year of the report), and 13.2% per year for the last four years of the report. Teak prices have been rising at a rate greater than the 6% used in these projections.

3. Both the timing and number of trees harvested are your choice, based on a combination of our experience, the latest published silvicultural practices derived from years of others' experience in teak plantations and your requirements.

Our professional foresters, who monitor the growth profiles of your trees in the plantations, will report on the condition of your trees and help you determine the actual harvests of your trees.

Please also note that several additional months after any thinning or harvest will be required to mill, dry and grade your lumber and prepare it for the international export market if it is to be sold as boards. An additional year or more may be required for the earliest thinnings, because young tropical hardwoods are less known, or even unknown, in the world markets.

4. The useable height and diameter growth estimates are based upon growth rates obtained in our plantations and plantations in the Caribbean, Central America and Malaysia. Our actual teak growth rates exceed these projections. we have removed 1.5 inches in diameter and 30% in length to allow for wastage.

5. Our estimated volume per tree is calculated by: cross sectional area of the tree x the usable height of the tree or πr^2 times the usable height of the tree. These projections are based upon the volume of the trunks and include the additional wood volume that may be obtained from the larger branches in the later harvests.

6. The amount of marketable wood per tree is stated in board feet, a standard measure of wood used in the U.S. One board foot of wood is one foot square by one inch thick (1' x 1' x 1"). There are 12 board feet in a cubic foot of lumber and 424 board feet in a cubic meter of lumber.

The estimated amounts of marketable wood are based upon the estimated volume per tree in cubic feet, multiplied times 12 to obtain the number of board feet, and then reduced by the estimated amount of processing waste, which is sawing losses and damage to the logs while being harvested, transported and processed. The inefficiency of smaller diameter logs results in greater sawing loss on younger, smaller trees. Accordingly, we have subtracted a processing waste of 40% for the 9 and 15 year old trees. We will likely achieve more efficient yields than those projected since everything is milled on the farms, using the latest thin-kerf, high-yield bandmill technology.

7. The value per tree is arrived at by multiplying the number of marketable board feet per tree times the price per board foot at the time of harvest. See Notes 1 and 2 above.

8. Net harvest proceeds - The estimated net value of the lumber from each harvest is arrived at by multiplying the estimated value per tree times the number of trees harvested in that thinning or harvest.

9. Fees are the costs of harvesting your trees, milling your logs into marketable lumber, drying your lumber, care, maintenance and sale of your trees

10. Cumulative net proceeds is a running total of your estimated cash flow from the harvests of your trees.

