



## **ASX RELEASE**

### **TFS CLOSSES MIS FOLLOWING STRONG INVESTOR RESPONSE, INITIATES NON-MIS SALES AND SECONDARY MARKET FOR THE FIRST TIME**

**Perth, July 01 2009**

#### **Highlights**

- TFS has received applications from MIS and non-MIS investors for 1,025 hectares of Indian Sandalwood, representing an increase of 26% on FY08
- TFS has attracted non-MIS investment for the first time with an application received for 350 hectares in the new 2010 Indian Sandalwood plantations amounting to an investment of \$35m, and a further \$15m into the purchase of existing Indian sandalwood plantations in the secondary market
- TFS has closed its retail MIS for FY09, having accepted applications for 675 hectares. This is a strong response from retail market given the current domestic MIS environment
- Positive retail take-up and non-MIS direct investment endorses TFS's strategy of a vertically integrated business
- TFS expects non-MIS sales to grow year on year as the Emirates Investment Group JVC gains further traction in core markets such as the Middle East

#### **MIS Sales**

Sandalwood grower and processor, TFS Corporation (ASX:TFC), today announced the company had accepted applications for 675 hectares in its 2009 Indian Sandalwood MIS Project.

Sales of the 2009 Indian Sandalwood MIS Project raised \$51.1 million (GST inclusive) compared to \$59.8m (GST inclusive) in FY08 (15% decline). During a period of industry uncertainty, the 2009 project is a strong endorsement of TFS's vertically integrated business model.

#### **Institutional Sales**

Following its recent joint venture agreement with Emirates Investment Group, TFS established the Beyond Carbon Trust (Beyond Carbon) to allow overseas institutional investors the opportunity to purchase Indian Sandalwood plantations managed by TFS.

TFS is pleased to advise that Beyond Carbon has received applications for 350 hectares of Indian Sandalwood plantations amounting to an investment of \$35m. This is a significant development for TFS and represents the first investment by non-MIS investors into Indian Sandalwood plantations managed by TFS.

Funds for plantation hectares applied for under the Beyond Carbon structure are expected to be received by April 2010 when planting is scheduled to occur.

The terms of TFS' agreement with Beyond Carbon are such that;

- At the time of planting TFS will receive a single upfront payment of \$100,000 for each hectare sold
- TFS will plant and manage the those plantations owned by Beyond Carbon for up to 14 years
- Beyond Carbon will acquire the land upon which its plantations are located at commercial rates from TFS at the time of planting
- TFS will not receive any ongoing management fees

### **Secondary Market for Sandalwood Growers**

A part of its Beyond Carbon initiative TFS also intends to create a secondary market for existing Indian Sandalwood plantations managed by TFS.

Existing growers will have the opportunity to generate some liquidity in their investment by selling some or all of their holding to Beyond Carbon. The secondary market will be initiated by a commitment from Beyond Carbon to invest up to \$15m to purchase existing Indian sandalwood plantations.

Further secondary market investment is expected as institutional investment expands.

### **FY09 Earnings Guidance**

In recent years TFS has provided earning guidance at the time of its annual MIS sales announcement.

TFS is still finalising the accounting treatment for the significant non-MIS sales included in this years announcement. Accordingly, TFS will not be providing profit guidance at this time.

TFS intendeds to release its full year results in the week commencing 17 August 2009  
Executive Chairman of TFS, Mr Frank Wilson, said: "The positive response to our project from MIS and non MIS investors is a good outcome considering the challenging industry backdrop".

"At the start of the financial year we made conscious decisions to broaden our funding base away from MIS. The offshore investment in Sandalwood Plantations managed by TFS is a result of this and is another step in the ongoing transformation of our business model.

"Our JV agreement with Emirates Investment Group has raised the profile of TFS in key European and Middle Eastern markets, and the early introduction of non-MIS sales bodes well for further progress.

"What has surprised the management team is how quickly the JVC agreement has shifted our funding model, and going forward we expect plantations to be funded by both MIS and non-MIS investment with non-MIS investment playing an increasingly important role".

"Recent presentations to growers have emphasised that TFS is a well run business, with very low debt, and has an extremely high value end product that leaves plenty to be shared by the growers, managers, and shareholders alike".

"As we head into our first sandalwood harvest in 2012 TFS is positioned to be the world's leading sandalwood producer with a vertically integrated business across growing, harvesting, processing, marketing and international sales."

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## About TFS Corporation Ltd

TFS Corporation Ltd (ASX: TFC) is an owner and manager of Indian sandalwood plantations in the east Kimberley region of Western Australia. As part of its vision to be a vertically integrated producer of finished sandalwood products, TFS owns a significant proportion of the plantations in its own right and in 2008 acquired Mount Romance Australia (Mount Romance), the Albany-based sandalwood processor and oil distributor.

TFS was founded in 1997 to exploit the success of government trials into the plantation growth of Indian sandalwood in the Ord River Irrigation Area (ORIA) of north-east Western Australia.

TFS's first planting was in 1999 and it now manages the largest area of Indian sandalwood plantation in the world, with over 2,500 hectares planted in the ORIA. The majority of the TFS plantations are managed on behalf of investors in Managed Investment Schemes regulated by ASIC and the ATO.

TFS has a land bank of over 3,000 hectares for future sandalwood plantings in the ORIA and at its Kingston Rest property 65 kilometres south of the ORIA.

The company listed on the Australian Stock Exchange in December 2004 and is currently capitalised at over \$200 million.

TFS is committed to adopting and maintaining the highest environmental and ethical standards in all aspects of its business. All plantations are grown on land that has previously been used for agricultural or horticultural production. As the first ORIA land owner to recycle its water, TFS was the winner of the 2006 State Regional Water Award. TFS was recently ranked as an industry leader in ethical and sustainable practices by Oekom Research, a leading international ratings agency.

## About Indian Sandalwood

Indian sandalwood has a history as a tradeable commodity spanning thousands of years, but is now endangered due to the illegal harvest of wild trees throughout the world. As a result, Indian sandalwood is the world's most expensive tropical hardwood and continues to increase in price each year. Its heartwood currently trades for in excess of A\$100,000 per tonne on average, having risen at a compounding rate of over 21% per annum over the past 17 years.

Indian sandalwood is a globally important ingredient in fine fragrances, cosmetics and toiletries, incense sticks, high quality carvings and for medicinal purposes (aromatherapy and Chinese medicine). Indian sandalwood has a well entrenched market throughout the world. This is particularly so in India and China, which are two of the fastest growing economies in the world.

## Overview of Mount Romance

Mount Romance was established in 1993 and, following conclusion of a long term contract with the Western Australian government for the supply of raw material, has become an internationally recognised producer of high quality Australian sandalwood (*Santalum spicatum*) oil and by-products. Mt Romance supplies oil to leading global fine fragrance brands in Europe and North America.

