



ASX RELEASE

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MARKET UPDATE

TFS Corporation Ltd (TFS) provides the following market update in relation to its Asset Management operation.

As detailed in the Annual Report and Financial Statements for the TFS Group as at 30 June 2011 the company's trade debtors included a receivable of approximately \$25m which was established in FY 11 relating to a sale to an institutional investor. Under the terms of the agreement, the investor was required to complete the transaction on or before 31 December 2011. TFS recently received notice from the investor that they would like to extend the deadline for payment of the establishment fees and land purchase agreement relating to this Beyond Carbon investment. The total amount remaining owing is approximately \$24.0m.

The establishment services on the lot attributed to this institutional wholesale investor were completed by TFS prior to 30 June 2011. As such, the plantation is now in existence and being maintained.

The investor has informed the company that they still intend to close the transaction, but as result of this notice TFS has agreed to accept any proceeds provided by them and supply the plantation on a pro rata basis equivalent to funds provided, however the plantation is now not exclusively held for the benefit of that investor.

To the extent of any potential shortfall, TFS is considering its alternatives which include selling the investment to other interested parties, holding the asset on its own balance sheet or providing a definitive extension for the investor to complete its transaction.

In particular the company has been in negotiations with a number of other potential institutional investors for investments in future Indian sandalwood plantations. This may give one of those investors the opportunity to advance the timing of their investment. If TFS decides to on-sell the plantation the company is confident that it will receive consideration equal to or in excess of the receivable in FY12.

Alternatively if the company decides to hold all or part of the plantation for its own use then the underlying land and the plantation are also currently valued on a discounted cash flow basis in excess of the receivable.

Accordingly under either scenario the company believes the affect on its balance sheet will be minimal. This will be reviewed in detail as part of the half year reporting process.

Frank Wilson
Chief Executive Officer

Quentin Megson
Chief Financial Officer

Ian Thompson
Executive Director - Communications

For further investor and analyst queries, please contact:

Martyn Jacobs
General Manager – Corporate Strategy
Ph: 0412 785 180

ABOUT TFS

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 approximately 5,000 hectares planted. TFS plantations are managed on behalf of both retail and institutional investors.

The company listed on the Australian Stock Exchange in December 2004.

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.

In 2009, TFS entered the prestigious Forbes Asia Pacific's '*Best Under a Billion*', which recognises the Top 200 companies from more than 25,326 publicly-listed firms in the Asia/Pacific region with revenue of less than US\$1 billion.

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\$110,000 per tonne, having risen at a compounded rate of over 18% per annum over the past 18 years.

Indian sandalwood oil is a globally important ingredient in fine fragrances, cosmetics and toiletries, incense sticks, and for medicinal purposes (aromatherapy and Chinese medicine) and the wood is used for high quality carvings.

Indian sandalwood has a well entrenched market throughout the world, particularly in India and China, two of the fastest growing economies in the world.