



ASX/MEDIA ANNOUNCEMENT

26 February 2009

TFS CORPORATION ON TRACK TO ACHIEVE AT LEAST 15 % CASH PROFIT GROWTH IN FY09

Western Australian sandalwood grower and processor TFS Corporation (TFS), announced today that the company's consolidated net profit after tax for the six months ended 31 December 2008 rose by 65.9 per cent to \$5.16 million. The increase largely reflects higher 'non cash' revenue from an increase in sandalwood tree valuation and the recognition of revenue from deferred fees.

TFS today also maintained its 2008 AGM market guidance of achieving at least a 15 per cent increase in net 'cash' earnings for FY09 and confirmed that the Company remains on target to reach a zero net debt position by financial year end.

Directors have declared a fully franked interim dividend of 1.25 cents per share, a rise of 0.25 cents per share on the prior corresponding period, with a record date of 5 June 2009 and a payment date of 19 June 2009.

MIS Sales

Since balance date a draft Product Ruling (PR) has been received from the Australian Taxation Office (ATO) in respect of the TFS Indian Sandalwood Project 2009. The PR (which will be gazetted on 4 March 2009) has allowed sales to commence in the Second Half and by the end of February the company anticipates that it will have sold at least 150 hectares of the 2009 project, compared with 128 hectares at the corresponding time in 2008.

TFS Executive Chairman Mr Frank Wilson noted that there were no sales of MIS products in the First Half as the Company was at that time awaiting the PR from the ATO.

"Now that the PR has been received, the Company is confident of selling at least our previously forecast 930 hectares by the end of June 2009," Mr Wilson said.

Mt Romance (MRA)

The financial results for the First Half include a significant contribution from the Mt Romance operations (acquired on 24 July 2008) which recorded (adjusted) EBITDA of \$2.1 million in the period 24 July 2008 to 31 December 2008, an increase on the prior comparable period.

'It is pleasing that MRA has achieved a stronger earnings outcome since its acquisition than it recorded for the corresponding period in FY08,' said Mr Wilson.

'MRA has done this while also enhancing our strategic position with end users of Indian Sandalwood products immeasurably,' he said.,

MRA is now a major contributor to TFS's cash earnings and its future contribution is expected to remain significant following the recent execution of a new 3-year contract with the world's leading Swiss-based fragrance ingredients house Givaudan for approximately 20 per cent of MRA's annual Australian sandalwood oil production.

'This contract will commence immediately and pricing will be similar to the terms of MRA's existing contract with Givaudan - which was due to expire in June 2009,' Mr Wilson noted.

Land

TFS continues to hold a large landbank. Taking into consideration planned 2009 plantings, TFS expects to have a further 3,100 hectares of land available for plantings in 2010 and beyond.

'As we look further ahead in our planning period, we are encouraged by recent public statements by the Western Australian Government in respect of Ord Stage 2. The development of this major infrastructure project will lead to further land acquisition opportunities for TFS.

'Ord Stage 2 is also expected to provide significant commercial opportunities for Northern Development Company which is 50% owned by TFS and has proven experience and expertise in rural land development in the region,' Mr Wilson said.

Loan Book

The company anticipates that it will sell a further part of its Arwon loan book in the last quarter of FY09. This transaction is expected to realise between \$4.5 million and \$5 million in cash in FY09.

Balance Sheet and Cash Flow

As TFS signalled to the market last year, TFS has now moved to a modest debt position, with net debt of \$33.49 million at 31 December 2008 following the acquisition of Mt Romance in July 2008. However, the company expects to have zero net debt by the end of FY09 following the completion of its FY09 sales.

Outlook

Notwithstanding current global economic conditions, demand for Indian and Australian sandalwood remains very strong. Prices at the most recent Indian Sandalwood auction in India have risen from the previous auction in 2008.

TFS is well-placed to significantly increase its MIS sales and plantations in future years, as sustained world demand for Indian sandalwood-based products continues to attract new

MIS investors. TFS also expects demand for its MIS projects to increase as the supply of alternative MIS projects from other sources diminishes.

“Our vision is for TFS to become the world’s largest vertically-integrated grower, processor and distributor of Indian and Australian sandalwood oil and other high-end manufactured sandalwood by- products, operating at the highest standards of environmental and corporate social responsibility,” said Mr Wilson.

He noted that while revenue from the sale of MIS projects will remain an important income stream for TFS in the short term, over time the Company expects to generate an increasing proportion of its revenue from processing and selling sandalwood products to a very large and sustainable global market.

“In the short term, we are confident of achieving our MIS sales targets of 930 hectares in FY09 and we are maintaining our guidance given at the November 2008 AGM that full year net ‘cash’ earnings this year are expected to increase by at least 15 per cent on the \$22.9 million reported for FY08 and that we will be net debt free by year-end,” Mr Wilson concluded.

For further information, please contact:

Frank Wilson
Executive Chairman
TFS Corporation
Tel: +61 8 9221 9466