

ASX Release

1 July 2014

Trading update and earnings guidance upgrade

- *TFS to acquire 364 hectares of established Indian sandalwood plantations*
- *Strong new product sales of c1,700ha - average sales price up 9% on FY13 and sales volume up 1%*
- *Execution of investment agreements with UK institutional investor*
- *NPAT now expected in FY14 of at least \$70m*

TFS Corporation Limited ("TFS", "the Company", ASX: TFC) today announced the acquisition of established Indian sandalwood plantations for \$35.0m and that it expects to report a record net profit after tax ("NPAT") in FY14 of at least \$70m.

Mr Frank Wilson, TFS's CEO, said: "We are pleased to announce the acquisition of a significant established plantation in Western Australia. This is consistent with our strategy to increase our ownership of Indian sandalwood trees and is the type of high value accretive transaction envisaged during the institutional placement in May."

"TFS has completed a very productive sales season, with strong demand from both retail and institutional investors. As we expected, our product sales have benefited from the validation of the TFS business model over the last six months, with the successful completion of our first harvest and the new supply agreement with one of the world's leading pharmaceutical companies."

Mr Wilson noted that: "This announcement provides further examples of the positive momentum across the business. As a result, TFS is now expecting to report very pleasing financial results in FY14 and to enter FY15 with a significant level of forward sales."

Acquisition of established plantations

TFS today announced the acquisition of 364ha of land and established Indian sandalwood plantations, located in Western Australia, for a total cash consideration of \$35.0m (excluding GST and stamp duty). As a result, TFS's interests in established Indian sandalwood plantations have increased to around 2,700ha (including both direct and indirect interests).

TFS has acquired the plantations, located at Kingston Rest in Western Australia and previously managed by TFS, from an institutional investor in TFS's Beyond Carbon product. The plantations were established in 2010 and 2011.

TFS and the institutional investor have also restructured the investor's existing options to establish new Indian sandalwood plantations. The investor has confirmed that, subject to certain and limited conditions, it will exercise options over 548ha of new plantations in FY15.

The trees acquired as part of this transaction will be classified as Biological Assets on TFS's balance sheet at 30 June 2014. In accordance with AASB141, TFS's Biological Assets are measured at net market value, being the net present value of the expected future cash flows. This net market value of the acquired trees is likely to exceed the purchase price and, consequently, TFS expects to record a gain relating to this transaction in its FY14 results.

Strong new product sales, up 10% on prior year

Product sales in FY14 included good growth from the retail sector, with significant increases from both investors in the managed investment scheme and high net worth individuals. With this richer mix of sales (institutional investors are offered a discounted establishment fee), the average establishment fee per hectare sold in FY14 increased by 9% on FY13. New product sales totalled c1,700ha, an increase in volume of 1% from FY13.

Execution of Investment Management Agreement with new institutional investor

On 27 March, TFS announced that a significant UK institution had received Investment Committee approval to invest in TFS's Beyond Carbon product. On 30 June, TFS and the UK institution signed an Investment Management Agreement relating to an investment in 331ha of new plantations in FY14. TFS has also granted the UK institution options to establish new plantations in subsequent years.

Settlement of the transaction is conditional on Foreign Investment Review Board approval and other conditions. Pending satisfactory completion of all conditions, settlement is expected in Q1 FY15.

Earnings upgrade

TFS announced today that it expects full year profit after tax for FY14 to be in excess of \$70m, which would represent an increase of at least 25% on FY13 and a record result for the Company. TFS also confirmed that "cash EBITDA" for FY14 is likely to be broadly in line with FY13.

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ABOUT TFS

TFS Corporation Ltd ("TFS", ASX: TFC) is an owner and manager of Indian sandalwood plantations in northern 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 plantations in the world, with approximately 7,600 hectares planted of which TFS owns directly and indirectly approximately 2,400 hectares. TFS plantations are managed on behalf of both retail and institutional investors.

TFS commenced the first commercial harvest of its Indian sandalwood plantations in September 2013. The company listed on the Australian Stock Exchange in December 2004. Since March 2014, TFS has been an ASX300 company.

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 2012 and 2013 TFS subsidiary Mount Romance was awarded the Platinum Award by the Water Corporation for its Water Efficiency Management Plan (WEMP) and in 2014 the company received a Champion Award recognising its on-going commitment to water saving.

TFS is ranked as an industry leader in ethical and sustainable practices by Oekom Research, a leading international ratings agency.

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. The price of its heartwood has risen at a compounded rate of over 15% per annum since 1990.

Indian sandalwood oil is a globally important ingredient in fine fragrances, cosmetics and toiletries, Indian consumer products and for medicinal purposes (Ayurvedic and Chinese medicine) and the wood is used for high quality carvings and artefacts and religious worship in the Hindu and Buddhist faiths.

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