



ASX RELEASE

MARKET UPDATE

23 December 2010

TFS advises that final agreements for a 376 hectare plantation investment with an institutional foreign investor were executed on 22nd December 2010. Settlement of the investment is subject only to the Investor obtaining Foreign Investment Review Board (FIRB) approval, and will occur within 2 business days of FIRB approval being granted. The investment is being made via a passive investment in a unit trust. At settlement TFS will receive initial proceeds of approximately \$26m (including GST) and over the life of the project a further \$13m in annual management and investment service fees. In addition TFS is entitled to receive performance fees upon certain hurdle rates of return being achieved by the investor. The investor will also be placing \$9.6m with TFS for investment in the secondary market for MIS Indian sandalwood grower woodlots.

On the back of this transaction TFS is pleased to announce that Clarkson Investment Services (DIFC) Ltd (Clarksons) regulated by the Dubai Financial Services Authority has accepted a mandate from TFS to raise \$75m for TFS through the issuance of new debt. Clarksons are highly confident they will complete this transaction in the 1Q, 2011 after having undertaken due diligence on TFS for the past two months.

Clarksons is a boutique natural resources focused investment bank based in Dubai. Its team members have raised total capital in excess of \$40bn. Clarksons is the wholly owned subsidiary of Clarkson, PLC, the world's premier integrated maritime services provider that is listed on the London Stock Exchange.

Part of the funds raised will be applied to retire all existing bank debt with the Commonwealth Bank of Australia (CBA) which will stand at circa \$30m after the settlement with the foreign investor.

TFS expects to use the balance of the funds from the new Debt issue (circa \$45m) for potential land acquisitions and other expansion opportunities.

After the settlement total cash proceeds year to date from institutional plantation investors and gross cash inflows from existing Mt Romance processing operations and other operations will be circa \$50m. Based on expected institutional plantations settlements in the 2H of FY2011 TFS expects its total net after tax positive operating cash flow to be circa \$70m in FY11.

Given the size and significance and imminent timing of the settlement, the TFS board believes it is prudent to defer the payment of the final year dividend to coincide with this settlement. Accordingly the final year dividend will now be paid shortly after settlement and is therefore expected to be paid no later than 31 January 2011. The dividend record date will remain the same.

In addition TFS is pleased to note that it continues to receive significant demand from international institutional investors for its Indian sandalwood plantation investment. This includes a AAA rated USA investor who has recently exercised its option for a second investment in FY11. TFS has a number of other significant institutional transactions that will be announced in 2H FY11 that are nearing their final stages of due diligence and completion.

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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 3,770 hectares planted in the ORIA. TFS plantations are managed on behalf of both retail and institutional investors.

TFS has a land bank of over 2,000 plantable 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 approximately \$230 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.

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.