



ASX RELEASE

TFS launches inaugural native Australian Sandalwood Project (Spicatum)

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Key Points

- ATO Product ruling 2010/12
- Project capacity is 1,000 ha with subscriptions being available in 0.25 ha woodlots
- Establishment fee is \$3,900 per woodlot (ex GST)
- Minimum subscription of 250 ha is required for the Project to proceed
- Plantations to be established in the Wheatbelt region of Western Australia
- No allowance for earnings from the Project has been made in TFS' FY 10 earnings guidance

Following the release of ATO Product Ruling 2010/12, TFS is pleased to announce the launch of its inaugural native Australian Sandalwood Project for retail investors. TFS is a specialist Indian sandalwood (*Album*) plantation owner and manager, and the establishment of a plantation project for the native species of Australian sandalwood (*Spicatum*) is a natural extension of TFS' core business and operations as a vertically integrated sandalwood products company.

TFS is already a producer of native Australian sandalwood oil through the processing business of Mt. Romance (MRA) which sells oil and related products to the European fragrance industry, India, China and Taiwan. TFS' established production capacity and end market customer base enable TFS to process raw material into finished products and distribute these to global customers.

Australian sandalwood is complimentary to Indian sandalwood as they serve distinct product segments. Indian sandalwood is used in high-end cosmetics and luxury fragrances, as well as having widespread religious and cultural applications in India and Asia. Australian sandalwood has typically been used for incense in China, Taiwan and south east Asia and also has usage in fragrances and cosmetics. Australian sandalwood sells at a significant discount to the premium Indian sandalwood.

TFS notes that no allowance has been made in its FY 10 earnings guidance for earnings from this new project.

TFS would also like to clarify a report made in today's West Australian newspaper. TFS has executed an agreement with WA Sandalwood Plantations Pty Ltd (WASP) to be the plantation contractor for the Project, under the supervision of TFS. TFS is not making any investment in WASP, nor in any of WASP's Australian sandalwood plantations. TFS is simply engaging WASP as a plantation contractor.

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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 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 2,600 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 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.

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.