



ASX RELEASE

TFS Corporation and Emirates Investment Group Announce Formation of Joint Venture Company ("JVC")

JVC to operate in Middle East, North Africa and Pakistan

Perth, May 19 2009

TFS Corporation (ASX:TFC), the West Australian-based Sandalwood Company, today announced that it has formed a JVC with the Emirates Investments Group LLC (EIG). The JVC will have exclusive rights to the sales and distribution of TFS Corporation's sandalwood products in the Middle East, North Africa and Pakistan (the region).

Sandalwood has a long history in the region and to date TFS has had limited presence in these markets. The establishment of the JVC with one of the region's leading investment groups will significantly increase TFS' exposure to key growing markets for its sandalwood oil and new value-added products.

The establishment of the JVC represents a major step by TFS in the development of its vertical integration strategy which, when fully executed, will make TFS the world's largest grower, processor and distributor of Indian and Australian sandalwood oil and high-end by-products.

Key features of the Joint Venture Agreement:

- The establishment of a local JVC (with EIG retaining 51% ownership and TFS 49%) governed by a Board comprising representatives of each party.
- Each party will make an initial commitment of US\$175,000 to facilitate the establishment of the JVC.
- The JVC will be granted the exclusive distribution of TFS and Mt Romance ("MRA") products into the region.
- Subject to the completion of a feasibility study, it is proposed that by the end of calendar 2012, the JVC will build a Santalum Album (Indian Sandalwood) distillation plant modeled on the TFS-owned MRA plant at Albany, WA with a minimum 12.5 tonnes p.a. oil production capacity and the ability to increase to 50 tonnes p.a as demand dictates.
- TFS has committed to supply sufficient sandalwood from its Kununurra WA plantations to feed the JVC distillation plant. The supply will be in line with commercial rates and subject to a maximum of 25% of its annual harvest of plantation timber. .
- The JVC plans to manufacture and distribute an extended range of value-added sandalwood-based products that are widely used in the region and the sub-continent utilizing TFS' sandalwood oil, such oil to be supplied at commercially competitive rates.
- An important feature of the new relationship will be the commitment of EIG to promote investment from the region into a minimum of 200 hectares of new sandalwood plantations annually, at a fee level equivalent to MIS, to ensure sufficient long-term supply for the JVC.
- EIG will use its networks, regional credibility and experience to expand the JVC's client base to assist in the development of new products.

- The JVC is expected to be largely self-funding in respect of its operational expenditure and capital requirements including the construction of the distillation plant and thereafter provide a minimum return on investment of 25% per annum.

Overview of Emirates Investment Group LLC

EIG is a significant investment company based in Sharjah, one of the United Arab Emirates in the Persian Gulf. EIG has direct investments in real estate, financial services, and the industrial and aviation sectors.

EIG is privately owned and chaired by Sheikh Tariq bin Faisal Al Qassimi, a member of the ruling family of Sharjah, with Mr Raza Jafar as the Vice-Chairman who was the previous advisor to the government of Sharjah and now Honorary investment Counselor of Pakistan in the United Arab Emirates. The Sheikh led the Economic Committee of Sharjah for 5 years and was the Chairman of the Economic Development Department and the Sharjah Commerce and Tourism Authority.

EIG has wide investment interests in the Middle East and Asia Pacific regions. It has traditionally worked closely in its developments through partnerships and strategic relationships in financial services, real estate, aviation, industry and trading. EIG bases its investment decisions on partnering with profitable, ethical and socially responsible business partners. EIG seeks to identify unique business opportunities and reputable companies to create dynamic new business opportunities in its region of influence and beyond.

TFS's Founder and Executive Chairman, Frank Wilson, said

"This is an historic agreement and TFS is proud to be partnering with a company like EIG that has such strong networks and huge credibility in its regions of operation. I believe this JVC will be a significant milestone for TFS as it will realise our vision of producing value-added sandalwood products for the mass markets available in the Middle East and the sub continent where the demand for sandalwood products is enormous and continues to grow strongly with economic and population growth in this region.

With the assistance of EIG we are confident TFS can attract significant investment from the region into our plantations and in so doing substantially decrease our reliance on MIS investment to fund our growth into the future."

The combination of TFS's very strong position in the sandalwood industry and EIG's financial resources, networks and credibility is a powerful alliance that will bring significant flow-on benefits to all stakeholders, Mr Wilson said.

Mr Raza Jafar welcomed the formation of the JVC with TFS. "The strategic alliance forged between EIG and TFS via the formation of our JVC will be value-accretive for our companies and great for consumers", he said. "EIG's unmatched distribution system in the chosen regions will open a door to a huge market for products derived from TFS's high quality sandalwood oils, which rank with the world's best."

For further information, please contact:

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About TFS Corporation Ltd

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 1,750 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 4,000 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.

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\$100,000 per tonne on average, having risen at a compounding rate of over 21% per annum over the past 17 years.

Indian sandalwood is a globally important ingredient in fine fragrances, cosmetics and toiletries, incense sticks, high quality carvings and for medicinal purposes (aromatherapy and Chinese medicine). Indian sandalwood has a well entrenched market throughout the world. This is particularly so in India and China, which are two of the fastest growing economies in the world.

Overview of Mount Romance

Mount Romance was established in 1993 and, following conclusion of a long term contract with the Western Australian government for the supply of raw material, has become an internationally recognised producer of high quality Australian sandalwood (*Santalum spicatum*) oil and by-products. Mt Romance supplies oil to leading global fine fragrance brands in Europe and North America.

