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ASX Release

First buy-back offers made to acquire MIS assets; growers in TFS2000 project to generate attractive returns

Highlights

- Offers sent to growers to acquire their interests in the TFS2000 Project
- Offers provide growers with significant returns, with the majority set to more than triple their invested capital
- Results of the TFS2000 Project demonstrate the attractiveness of TFS's Managed Investment Scheme projects
- Indian sandalwood acquired by TFS will be harvested in June and supplied to TFS's diverse end markets

TFS Corporation Ltd ("TFS", "the Company", ASX: TFC), the world's largest owner and manager of commercial Indian sandalwood plantations, has launched the first of a series of plantation buy-backs, offering growers (Managed Investment Scheme ("MIS") investors) significant returns on their investments in sandalwood plantations.

TFS has sent offers to acquire approximately 40 hectares of Indian sandalwood owned by growers from the TFS2000 Project, the first part of a program to acquire 221 hectares to be harvested between 2016 and 2022. The price offered by TFS to growers is based on the book value of the plantations as at 31 December 2015, using the same methodology the Company uses to value its own plantations, as reviewed by TFS's auditor, EY, in TFS's most recent financial statements.

Investors in the TFS2000 Project will achieve attractive returns, with the offer price of \$357,985 per hectare expected to more than triple the invested capital of the majority of growers (stated on a pre-tax basis).

Growers with more than 30% of the woodlots in the 2000 Project have already formally accepted the buy-back offer.

TFS Managing Director Frank Wilson said: "These offers provide growers with a definitive and highly attractive return. With the majority of investors generating returns which are more than triple their invested capital this proves that TFS's Indian sandalwood plantations are a genuine and rewarding investment class.

"As well as providing growers with attractive returns, the purchase of the plantations provides TFS with certainty of future supply to satisfy increasing demand from our pharmaceutical, fragrance and Chinese and Indian wood markets."

The majority of growers in the TFS2000 Project deferred their annual management fees and can expect to generate a 3.4x return (pre-tax) on their investment, providing an annualised Internal Rate of Return of 9.9% (pre-tax). Growers who pre-paid their management fees can expect to achieve a 3.2x return (pre-tax) and the small number of growers who paid their annual management fees a 1.8x return (pre-tax).

The buy-back is being funded by a \$65 million equity raising announced by the Company on 4 April 2016.

-ENDS-

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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 sandalwood products, TFS owns a significant proportion of the plantations in its own right. TFS also operates sandalwood processing and oil distribution facilities from Albany, Western Australia.

TFS was originally founded 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 now manages the largest area of commercial Indian sandalwood plantations in the world, with over 10,500 hectares planted of which TFS owns directly and indirectly over 3,500 hectares. TFS plantations are managed on behalf of both institutional, high net worth and MIS investors.

In 2014, TFS completed its first commercial harvest of its Indian sandalwood plantations and, via its subsidiary Santalis Pharmaceuticals Inc., entered into a supply agreement for pharmaceutical grade oil with Galderma, a leading global dermatology company wholly owned by Nestle.

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.

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 which continues to increase in price each year.

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. The efficacy of Indian sandalwood is being tested by US dermatology companies for a range of skin conditions and the global pharmaceutical market has the potential to be a significant consumer of Indian sandalwood oil.