



ASX RELEASE

AAA RATED US BASED INSTITUTION COMMITS TO TFS SANDALWOOD PLANTATIONS

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Highlights

- AAA rated US based Institution enters into an Investment Management Agreement pursuant to which TFS will manage a 180 hectare Indian sandalwood plantation to be planted in FY10 .
- Investment by the Institution over the life of the plantation excluding performance bonuses to TFS anticipated to be circa \$20m.
- Secures option to plant an additional 180ha per annum for next 5 years to 2015 with this investment anticipated to be, approximately, \$100m if all options are exercised.

Australian agribusiness TFS Corporation (ASX: TFC) has signed a confidential Investment Management Agreement (IMA) with a US based institutional investor potentially worth \$120 million over six years. The IMA is subject to and conditional upon the settlement of a related land acquisition agreement with TFS. The land acquisition agreement is conditional on, amongst other things, the Investor obtaining Foreign Investment Board approval. Under the IMA TFS is paid an upfront payment for the purchase of land and establishment of the plantation, annual payments for plantation management, and a performance bonus upon a hurdle rate of return being achieved by the investor.

This investment is in addition to the recently announced (May 4) forecast of 500 hectares of Non-MIS sales, and puts TFS on track to sell over 500 hectares of Non-MIS in FY10 up over 40% on FY09 Non-MIS sales.

“This institutional investment continues the rapid and fundamental transformation of TFS from a company heavily reliant on yearly MIS sales and its associated income to one that will receive its investment and income from predominantly more stable institutional and private sector sources,” TFS Executive Chairman Frank Wilson said.

“Even in a tumultuous economic environment, TFS’s forestry products continue to attract the support of leading global institutions and private investors by entering longer term investment agreements. This gives TFS the revenue stability to deliver on its strategy of becoming the world’s leading integrated Sandalwood supplier.”

“Our strategy to restructure our products to attract institutional investors has proven to be the right one in the wake of the MIS market fallout. Together with the continuing increase in profitability of our sandalwood processing arm Mt Romance, TFS is well positioned as our first Indian Sandalwood plantations are harvested in the next three years,” Mr Wilson said.

Indian Sandalwood sits in the high return category compared to traditional hardwood and softwood products. The heartwood trades for in excess of \$110,000 per tonne on average, having risen at a compounding rate of over 18 per cent per annum over the past 18 years.

Successful transition of business model

The strategy put in place by the TFS Board and Management team in 2008 to transition the sales model to capture the global institutional forestry investment flows and reduce reliance on retail MIS investors is taking shape.

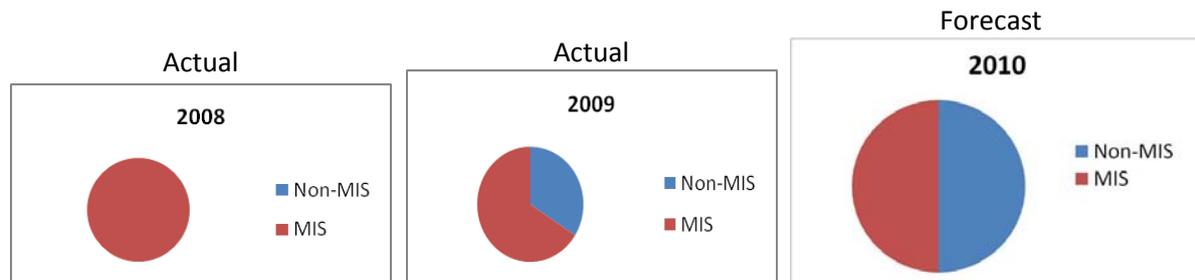


Figure 1: Growth in TFS plantation sales since 2008 have been driven by Non-MIS investment.

Global Institutional Forestry Investment accounts for annual investment flows of \$2.5 billion and Indian Sandalwood will now take its place as a high return category within this asset class. Following fluctuations across global markets, interest rates and currencies there is a growing institutional demand for investment into hard assets, and the TFS plantation investment fits neatly into that thematic.

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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.