



2012

PROJECT SUMMARY

TFS SANDALWOOD PROJECT
INDIAN SANDALWOOD

INVESTING WITH TFS

EXPERIENCED MANAGERS

The TFS Sandalwood Project 2012 (TFS 2012) (ARSN – 157 880 263) is the company's fourteenth annual Indian Sandalwood Project under management.

TFS has an experienced team of professional foresters, agronomists, research officers and agricultural scientists who manage the Plantations. Expert Forester to TFS, Peter Kimber and our Senior Forester Chris Done, are widely renowned as Australia's foremost Sandalwood experts. Both Peter and Chris previously worked with the WA Department of Conservation and Land Management (CALM) on the original Sandalwood trial plantations in the Kununurra area. Together with the experienced plantation management team, your plantation is established and maintained to the highest standard.

The TFS parent company, TFS Corporation Ltd, listed on the Australian Securities Exchange in December 2004 (ASX Code: TFC).

In 2008 TFS acquired leading global Sandalwood distiller Mt Romance. This WA based company adds expert knowledge in processing and distillation, as well as a blue-chip client base in the global fragrance industry. TFS is committed to exploring opportunities in an ever-expanding market place with demand for fragrances, religious products and pharmaceuticals forecast to increase.

DEDICATED TO SANDALWOOD

TFS is a specialist Indian Sandalwood plantation manager and is committed to the long term development of an Australian grown Indian Sandalwood industry.

TFS first planted Indian Sandalwood in Kununurra Western Australia in 1999 and has since planted over 5,000 hectares of commercial Indian Sandalwood plantations on behalf of over 3,000 individual growers, institutional investors and companies associated with TFS. By 30 June 2012 a further 1,500 hectares (approximately) of Indian Sandalwood will have been planted.

TFS has a direct holding of approximately 340 hectares of Sandalwood trees in its own right. In addition to the trees owned directly by the Company, TFS has a vested interest in the trees of the growers who elect to defer payment of their annual management fees. In some instances this deferral could accumulate up to 40% of the harvest.

The majority of our Directors are growers and shareholders in TFS, confirming a dedication by the company to achieve the best possible Sandalwood growth, yields and returns for its Growers.

SUSTAINABLE DEVELOPMENT

TFS is committed to sustainable development to preserve long-term benefits for the community, environment and TFS.

TFS supports local and indigenous communities through the sponsorship of cultural and educational programs and the creation of local employment opportunities.

The unique climate of tropical north Australia provides an ideal location for the growth of Indian Sandalwood. TFS is committed to preserving this unique region and minimising the company's environmental footprint.

ENVIRONMENTALLY RESPONSIBLE

TFS adopts a proactive approach to environmental management.

Locally, the TFS Sandalwood plantations are assisting to lower the water-table and reduce salinity problems across the Ord River Irrigation Area (ORIA). The bio-diverse nature of Sandalwood plantations also makes them an ideal nesting place for native birds.

In 2006 TFS opened the first ever water recycling project in the ORIA. TFS was recognised as a regional leader in environmental management, winning the inaugural 2006 Remote and Rural Water Award from the Western Australian State Government. The water recycling project has important environmental and economic advantages, helping to take environmentally friendly forestry to the next level.

TFS has obtained accreditation in ISO 14001:2004 (Environment), ISO 9001:2008 (Quality) and AS/NZS 4801:2001 (Occupational Health & Safety).

On a global scale, TFS is ensuring the longevity of this much sought after species.



PROJECT FEATURES

100% TAX EFFECTIVE PRODUCT RULINGS

TFS 2012 has been granted a Product Ruling (2012/8) from the Australian Taxation Office (ATO). The rulings confirm that all fees paid in relation to TFS 2012 are fully tax deductible in the financial year they are paid.¹

Growers that are registered for GST may also claim input tax credits for GST paid in relation to TFS 2012. By becoming a Grower, you are deemed to be in business and therefore entitled to register for GST.

DISCOUNT FOR ADDITIONAL LOTS

TFS 2012 has a minimum investment of one twelfth of a hectare (1/12th Ha) with volume discounts available.

FLEXIBLE FINANCE OPTIONS

Readily available finance to approved applicants via Arwon Finance Pty Ltd, a wholly owned subsidiary of TFS Corporation Ltd, through either a 12 month interest free loan or principal and interest loan for up to 6 years.

ABILITY TO DEFER ONGOING FEES

Following the initial Establishment Fee, Upfront Annual Fee and Upfront Rent, a Grower may elect to defer Annual Fees and Rent via an annual election.

A percentage of Gross Proceeds of Sale will be deducted for each year a Grower elects to defer. This deferral percentage will decrease over the term of TFS 2012 (see Deferral Fees table).

INVESTOR PROTECTION

To maximise grower protection, TFS have introduced additional safeguards to protect investors interests.

COST AND OPTIONS⁴

FEES PER SANDALWOOD LOT OF 1/12TH HECTARE

FEES PAYABLE ON APPLICATION

ESTABLISHMENT FEE (INCLUDING GST)

Number of Sandalwood Lots applied for by Applicant	Fee per Lot
1 - 11 lots	\$6,875
12 or more lots	\$6,600

UPFRONT FEE (INCLUDING GST)

Fee	Fee per Lot
Upfront Annual Fee	\$456
Upfront Rent	\$138

ANNUAL FEES

ANNUAL INVESTMENT OPTION

Growers can elect to pay the ongoing Annual Fee and Rent on an annual basis. The ongoing Annual Fee and Rent should be tax deductible when paid.

Fee	Fee per Lot
Annual Fee ²	\$456
Rent ²	\$138

ANNUAL DEFERRED INVESTMENT OPTION

Growers can elect, on an annual basis, not to pay the ongoing Annual Fee and Rent. In making the decision not to pay the ongoing Annual Fee and Rent, you are effectively requesting TFS Properties to make these payments on your behalf. In exchange for making these payments, TFS Properties will receive the Annual Deferred Investment Option Fee, which is a percentage share of the Gross Proceeds of Sale at Harvest for each year in which you elect to defer payment.

The percentage of Gross Proceeds of Sale to be paid to the Responsible Entity at Harvest will depend on the financial year in which the Grower requests the deferral of the Annual Fee and Rent:

Year of Deferral	Percentage share of the Gross Proceeds of Sale at Harvest
Years 1 – 2	3% (plus GST) per year
Years 3 – 6	2% (plus GST) per year
Years 7 – 12	1% (plus GST) per year

Notes:

1. Growers should be aware that Product Ruling 2012/8 is based on the precise arrangements identified in the Rulings. If the arrangement described in the Ruling is materially different for the arrangements actually carried out, the Ruling has no binding effect on the Commissioner and will be withdrawn or modified. Growers are recommended to read the Product Ruling in its entirety and seek their own professional taxation advice concerning the taxation implications to term of investment in TFS 2012. Growers who elect to collect their own Sandalwood cannot rely on the ATO Product Ruling in respect of their Sandalwood Lots in the Project.
2. The Annual Fee and Rent increase at a fixed rate of 3% per annum in the year following the Establishment Period. No Annual Fee and Rent will be payable for years 13 and 14.
3. TFS Properties anticipates that the Harvest of the Sandalwood will occur in Year 14 after Establishment.
4. Additional fees and costs may apply. Please refer to the TFS 2012 Product Disclosure Statement for a complete list and explanation of project fee and costs.



A photograph of a sandalwood plantation. The image shows several tall, slender trees with green foliage. In the foreground, a blue baseball cap with a white logo is lying on the ground. The ground is covered with dry leaves and twigs. The lighting is bright, suggesting a sunny day.

INVESTING IN SANDALWOOD

An investment in Indian Sandalwood forestry with TFS offers a stable and tax effective investment in an alternative asset class with the potential for excellent returns.

HIGH DEMAND & INCREASING PRICE

Sandalwood has been an integral part of Asian culture and religion for thousands of years, and remains a key ingredient in leading fragrances and cosmetics.

The Indian species of Sandalwood (*Santalum album*) commands the highest price at auction due to its superior oil yields and long-term market acceptance. The price of wild Indian Sandalwood sold at auctions in India has continued to increase at a compounded rate of 17.5% over the last 19 years with the current price for Indian Sandalwood logs averaging over A\$100,000 per tonne.

Experts predict a continuing increase in price of at least 5% per annum due to the ever-increasing supply/demand imbalance of Indian Sandalwood.

DEPLETED SUPPLIES

Due to high demand for the wood and oil of the Indian Sandalwood tree, and an unbridled black market, supplies are rapidly diminishing.

Experts predict that current production levels of the Indian Sandalwood tree cannot be sustained if illegal harvesting cannot be restricted.

Australia has the only known large-scale commercial plantations of Indian Sandalwood in the world, with TFS being the largest.

OPTIMAL GROWING CONDITIONS

The tropical north of Australia displays ideal conditions for the healthy growth of Indian Sandalwood.

The intellectual property built up by TFS over 13 years' of plantation experience is second to none. Supporting this is over 20 years' of government research into Indian Sandalwood silviculture.



HOW TO INVEST

REQUEST A PDS

We recommend that you consult a licensed professional adviser before making a decision to invest in the TFS Sandalwood Project 2012 (TFS 2012).

A soft copy of the Product Disclosure Statement (PDS) for TFS 2012 is contained on the TFS website – www.tfs.com.au. For a hard copy, please visit our website, or contact our marketing department for further information. You should consider the PDS in its entirety before deciding whether to invest in TFS 2012.

VIDEOS

For further information about TFS and Indian Sandalwood view our short videos on the attached CD-ROM.

RESPONSIBLE ENTITY - TFS PROPERTIES LTD

The Responsible Entity of the TFS Sandalwood Project 2012 is TFS Properties Ltd (ACN 093 330 977). TFS Properties Ltd is the issuer of the investment products in TFS 2012, and can be contacted at the following addresses:

STREET ADDRESS:

169 Broadway, Nedlands WA 6009

POSTAL ADDRESS:

PO Box 3040 Broadway, Nedlands WA 6009

Phone: (08) 9386 3299

Fax: (08) 6389 1546

Email: tfs@tfs.com.au

Web: www.tfs.com.au

The financial assumptions and risks of TFS Sandalwood Project 2012 (TFS 2012) are shown in the Product Disclosure Statement (PDS). Only the PDS contains the offers to subscribe for securities in TFS 2012 and you should consider the PDS in deciding whether to acquire an investment in TFS 2012. You will need to complete the Application Form in or accompanying the PDS. The Responsible Entity for TFS 2012 and the entity making the offers is TFS Properties Ltd. Tropical Forestry Services Ltd and TFS Properties Ltd are both wholly-owned subsidiaries of TFS Corporation Ltd. A reference to TFS in this brochure is a reference to all or one of these entities, depending on the context.