



TFS Sandalwood Project 2014

**AN INVESTMENT IN
INDIAN SANDALWOOD**

PROJECT SUMMARY

Investing in Sandalwood



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 the fragrance, cosmetic, pharmaceutical and religious products markets. Sandalwood features in perfumes, cosmetics and toiletries, medicines, medicinal skin care products, carvings, fashion, furnishings, incense and religious ceremonies around the globe.

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 approximately 15% over the last 22 years with the 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 the depleted supplies from wild harvesting in India, TFS grown Indian Sandalwood is the world's largest sustainable source of Indian Sandalwood.

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 15 years of plantation experience is second to none. Supporting this is over 20 years of government research into Indian Sandalwood silviculture.



Investing with TFS



Experienced Managers

The TFS Sandalwood Project 2014 (TFS 2014) (ARSN – 167 882 493) is the company's sixteenth annual Indian Sandalwood Project.

TFS has an experienced team of professional foresters, agronomists, research officers and agricultural scientists who manage the Plantations. An ongoing program of monitoring and research is used to maintain good growth and survival rates.

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 added 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 made using Indian Sandalwood and its oil 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 almost 7,600 hectares of commercial Indian Sandalwood plantations on behalf of over 3,400 individual growers and institutional investors. By mid 2014 approximately 1,300 hectares of additional Indian Sandalwood will have been planted on behalf of Growers, institutional investors and companies associated with TFS.

TFS has a direct and indirect holding of approximately 2,400 hectares of Sandalwood trees aligning our interest with those of our plantation investors.

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.

TFS commenced the first commercial harvest of its Indian Sandalwood plantations in September 2013.

Sustainable Development

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

TFS believes that it can be part of a better world, starting with the communities in which we work and operate. 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 Australia's tropical north provides an ideal location for the growth of Indian Sandalwood and 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.

The TFS Sandalwood plantations in Western Australia are assisting to lower the watertable 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 also installed drip irrigation in most sections of its plantations. Irrigation water delivered by drip irrigation systems is a much more effective use of water than conventional flood irrigation.

TFS believes in thinking of tomorrow by adopting a proactive strategy to environmental management. The TFS Group has achieved accreditation for ISO 9001:2008 (Quality), ISO 14001:2004 (Environment) and AS/NZS 4801:2001 (Occupational Health and Safety) and continually works towards environmental and ethical best practice. On a global scale, TFS is ensuring the longevity of this much sought after species.

In 2013 the TFS Group was ranked by Oekom Research AG as a 'Prime' investment company for Socially Responsible and Ethical Investors. This makes TFS a global industry leader with respect to its ethical and sustainable practices.

Project Features



100% Tax Effective Product Ruling

TFS 2014 has been granted a Product Ruling (2014/3) from the Australian Taxation Office (ATO). The ruling confirms that all fees paid in relation to TFS 2014 are fully tax deductible in the financial year they are paid.¹ Growers who elect to collect their own Sandalwood cannot rely on the Ruling in respect of their Sandalwood Lots in the Project.

Growers who are registered for GST may also claim input tax credits for GST paid in relation to TFS 2014. By becoming a Grower, you are deemed to be in business and therefore entitled to register for GST.

Discount for Additional Lots

TFS 2014 has a minimum investment of one twelfth of a hectare (1/12th Ha) with volume discounts for 12 or more lots.

Flexible Finance Options

Flexible product options with readily available finance through Arwon Finance Pty Ltd ('Arwon Finance'), a wholly owned subsidiary of TFS Corporation Ltd, are available through either a 12 Month Interest Free Loan or a Principal and Interest Loan.

Ability to Defer Ongoing Fees

Following the initial Establishment Fee, Upfront Annual Fee and Upfront Rent, a Grower may elect to defer the Annual Fees and Rent via an annual election (see the costs and options section for more details). Deferral of the Annual Fee and Rent in Year 14 is subject to the approval of the Responsible Entity.

A percentage of Gross Proceeds of Sale will be deducted for each year a Grower elects to defer (see Deferral Fees table).

Investor Protection

To maximise grower protection, TFS has introduced additional safeguards to protect investors' interests. This includes TFS depositing 50% of the Establishment Fee and the entire Upfront Annual Fee & Upfront Rent into trust accounts maintained by an Independent Custodian. These funds shall be released to the Responsible Entity as set out in the PDS.



Cost and Options

Fees Per Sandalwood Lot of 1/12th Hectare

Additional fees and costs may apply. Please refer to the TFS 2014 Product Disclosure Statement for a complete list and explanation of project fees and costs.

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 Fees (including GST)

Fee	Fee per Lot
Upfront Annual Fee	\$412
Upfront Rent	\$138

Annual Fees

Annual Investment Option

Growers can elect to pay the ongoing Annual Fee and Rent on an annual basis.

Fee	Fee per Lot
Annual Fee	\$412
Rent	\$138

The Annual Fee & Rent will increase each year at a fixed rate of 3% per annum throughout the Term.

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, the Grower is effectively requesting the Responsible Entity to make these payments on their behalf. In exchange for making these payments, the Responsible Entity 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 the Grower elects 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 of Gross Proceeds of Sale that the Responsible Entity is entitled to in respect of that year
Years 1 – 2	3% (plus GST)
Years 3 – 4	2% (plus GST)
Years 5 – 14	1% (plus GST)

Notes:

- Growers should be aware that Product Ruling 2014/3 is based on the precise arrangements identified in the Ruling. If the arrangement described in the Ruling is materially different from the arrangements actually carried out, the Ruling has no binding effect on the Commissioner and will be withdrawn or modified. The Product Ruling is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the project, of the soundness or otherwise of the project as an investment, or the reasonableness or commerciality of any fees charged in connection with the project. It is recommended that Growers read the Ruling in its entirety and seek their own professional taxation advice concerning an investment in TFS 2014.





How to Invest

Request a PDS

We recommend that you consult a licensed professional adviser before making a decision to invest in TFS 2014.

A soft copy of the Product Disclosure Statement (PDS) for TFS 2014 is available on the enclosed CD-Rom and on the TFS website – www.tfsltd.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 2014.

Videos

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

Investment Calculator

The investment calculator, contained on the enclosed CD-Rom and on our website, allows investors and advisers to calculate a potential return for TFS 2014 by inputting their own assumptions.

Responsible Entity – TFS Properties Ltd

The Responsible Entity of the TFS Sandalwood Project 2014 is TFS Properties Ltd (ACN 093 330 977). TFS Properties Ltd is the issuer of TFS 2014, 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@tfsltd.com.au

Web: www.tfsltd.com.au

The financial assumptions and risks of TFS Sandalwood Project 2014 (TFS 2014) are shown in the Product Disclosure Statement (PDS). Only the PDS contains the offers to subscribe for securities in TFS 2014 and you should consider the PDS in deciding whether to acquire an investment in TFS 2014. You will need to complete the Application Form in or accompanying the PDS.

The statements made in this brochure are not financial product advice and does not take into account the personal circumstances of any investor. In line with TFS' obligations, we note that investors risk losing some or all of their principal investment.

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.