



ASX Release

4 July 2016

Trading update and reaffirmation of guidance

Highlights:

-) Sales of new plantations in FY16 in line with expectations
-) Reaffirmation of guidance for FY16 Cash EBITDA to increase by between 5% and 10% on FY15
-) Successful results from new study of product to treat psoriasis
-) FY16 planting season set to complete in July, with approximately 1,600 hectares of new plantations
-) Cash settlement of \$29 million (including GST) sale to new institutional investor
-) Offers sent to growers to acquire their interests in the TFS2002 project

TFS Corporation Limited ("TFS", ASX: TFC, "the Company"), the world's largest owner and manager of commercial Indian sandalwood plantations, today announced the successful completion of its annual sales season and reaffirmed guidance for FY15.

TFS Managing Director, Frank Wilson, said: "We have achieved the operational and financial targets we set ourselves twelve months ago and, as a result, are pleased to reaffirm our guidance for the FY16 year. We enter the new financial year with positive momentum and are well advanced with our plans to deliver a significant increase in TFS's financial performance in FY17."

Successful results from new study of product to treat psoriasis

TFS's subsidiary, Santalis Pharmaceuticals, has announced positive results from a study using a proprietary Indian sandalwood oil serum formulation for the treatment of mild-to-moderate plaque psoriasis (refer to Appendix One). The results of the study showed the serum formulation to be safe, well tolerated, and efficacious for patients of 18 to 65 years of age.

Planting

TFS is on schedule to complete the establishment of around 1,600 hectares of new Indian sandalwood plantations by the end of July. These new plantations are located in the Northern Territory and Queensland.

Settlement of sale to new institutional investor

On 28 June 2016, the Company announced the sale of new Indian sandalwood plantations to a US-based global investment management firm. Settlement of the sales proceeds of \$29 million (including GST) occurred on 30 June 2016.

Offers sent to growers in TFS2002 Project

The Company has launched the second of a series of buy-backs and has sent offer letters to all growers in the TFS2002 Project, which is due to be harvested in 2017.

Appendix One: Successful results from new study of product to treat psoriasis

On 27 June 2016, Santalis Pharmaceuticals ("Santalis") announced positive results from its single-center, open-label, efficacy and tolerability proof-of-concept study using a proprietary 10% East Indian Sandalwood Oil ("EISO") serum formulation for the treatment of mild-to-moderate plaque psoriasis. The results of the study showed the EISO serum formulation to be safe, well tolerated, and efficacious for patients 18 to 65 years of age with a maximum of 10% treatable body surface area involvement of mild-to-moderate plaque psoriasis.

Santalis's research has shown EISO is a broad-acting anti-inflammatory agent that strongly suppresses the activity of factors including PDE4 and IL-17 that are believed to contribute to psoriasis. In addition, EISO has been shown to reduce the hyper-proliferation in psoriatic skin that leads to plaque formation.

The 28-day treatment regimen consisted of a twice-daily application of 10% EISO serum to the affected areas. Preliminary results indicated that the EISO treatment was effective, safe and well tolerated. Of the 12 patients enrolled in the pilot study with mild to moderate psoriasis, 9 patients experienced resolution of all the treated plaques, and 2 patients experienced mild to moderate improvement of their psoriatic skin. One patient withdrew with a mild application site adverse event that resolved upon discontinuation of the study medication.

"Plaque psoriasis can cause significant skin irritation and discomfort for patients and significantly impact their overall quality of life," said Professor Kurt Gebauer, Lead Investigator at the Fremantle Dermatology Group. "We are pleased with the results of the recent study and look forward to the development of a new, efficacious and safe botanical drug to support our goal of meaningfully improving outcomes for all our patients' psoriatic disease. The performance of the serum is evidenced by the fact that all of the patients asked to continue using the product after the end of the study."

"These results provide preliminary confirmation that the anti-inflammatory and anti-proliferative effects of EISO we've seen in our prior pre-clinical studies will translate well to the clinic," stated Dr. Corey Levenson, Chief Scientific Officer of Santalis. "We've leveraging EISO's ability to target inflammatory and proliferative pathways to treat skin diseases such as eczema and psoriasis. We believe that TFS' pharmaceutical-grade EISO, with its very favorable safety profile and multi-target activity, could provide a unique treatment option for patients."

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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 in 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 around 12,000 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 SANTALIS PHARMACEUTICALS

Santalís Pharmaceuticals, Inc. is a wholly owned subsidiary of TFS Corporation. Santalis is developing scientifically and clinically validated over the counter and prescription products that utilize TFS's East Indian Sandalwood Oil, with development programs focused in oral health and dermatology, where EISO's well documented safety profile and anti-infective, anti-proliferative and anti-inflammatory properties are well suited to a number of prevalent and underserved dermatological conditions.

In addition to the psoriasis study, Santalis has ongoing Phase 2 studies in oral mucositis and pediatric Molluscum contagiosum, and is preparing to initiate a Phase 2 study for pediatric eczema and a Phase 3 study for pediatric HPV skin warts.

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.

ABOUT PLAQUE PSORIASIS

Psoriasis is an autoimmune disease that causes raised, red, scaly patches to appear on the skin. Psoriasis typically affects the outside of the elbows, knees or scalp, though it can appear on any location. People report that psoriasis is itchy and painful, and the skin can crack and bleed. The skin cells in people with psoriasis grow at an abnormally fast rate, which causes the buildup of psoriasis lesions. Men and women develop psoriasis at equal rates. Psoriasis

also occurs in all racial groups, but at varying rates. About 1.9 percent of African-Americans have psoriasis, compared to 3.6 percent of Caucasians. Psoriasis often develops between the ages of 15 and 35, but it can develop at any age. About 10 to 15 percent of those with psoriasis get it before age 10. Plaque psoriasis is the most common form of the disease and appears as raised, red patches covered with a silvery white build-up of dead skin cells or scale.

Topical treatments with and without steroids usually are the first choice in treating psoriasis. Prescription topical drugs slow down skin cell growth and reduce inflammation. Treatment can include phototherapy which involves exposing the skin to ultraviolet light on a regular basis under medical supervision. Systemic medications are often prescribed for individuals with psoriatic arthritis and those with moderate to severe psoriasis whose symptoms are unresponsive to other treatments. Systemic medications are taken orally, by injection or infusion and fall into two categories, traditional systemics and biologics.