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ASX RELEASE

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Trading Update

Additional Possible Doubtful Debt Expense

The Group disclosed as a "Loan receivable- secured" an amount of \$7,177,000 in its financial accounts for the year ended 30 June 2011 in respect of debts owing to the Group by a major customer. The Group held registered 1st and 2nd real property mortgages over properties owned by parties associated with the major customers and a 2nd registered circulating security interest (previously called a fixed and floating charge) over the major customer and 1st registered circulating security interest over three entities associated with the major customer. In all cases a major trading bank (the Bank) holds either the first registered charge where not held by the Group and the Group holds the 2nd registered charge where the Bank holds the 1st registered charge.

The major customer entered into voluntary administration on 17 February 2012 and entered into a Deed of Company Arrangement pursuant to a resolution of creditors passed on 23 March 2012. Both the Bank and the Group are secured creditors of the major customer and have a priority over unsecured creditors. The Administrators have and are in the process of realising the assets of the major customer. There are a number of asset sales made by the major customer prior to entering into voluntary administration which releases were not obtained from the 1st and 2nd registered security holders.

The real properties over which the Group held 1st registered mortgagees have been sold by the parties associated with the major customer and the net proceeds from these sales placed in a trust account. There remains one property over which the Bank hold the 1st registered mortgage which is in the process of being sold by a party associated with the major customer. Indications of the realisable value of this property recently received are substantially below valuation. The difference ranges from \$2.2 m to \$2.6 million.

The Bank has challenged the Group's priority of its mortgagees over the real property (and now the proceeds of the sale which are held in a trust account for the benefit of the Group and the Bank) notwithstanding the order of registration. The merits of this claim are currently being assessed and discussions with the Bank are ongoing. The value and probability the funds available to pay creditors (which the Group is the 2nd registered secured creditor) cannot be accurately determined at this stage.

In view of these circumstances until the dispute with the Bank is resolved the Directors have elected to recognise a bad debt expense of \$2.7 million (after tax \$1.9 million). Should the matter not be resolved by finalisation of the financial accounts for the year ended 30 June 2012 the company expects that group would report an after tax loss of approximately \$50,000.

This bad debt expense and a bad debt expense of \$1.7 million (after tax \$1.2 million) already recognised in the half year result at 31 December 2011 in respect of an entity associated with the major customer has adversely affected profitability of the company by \$3.1 million after tax in the 2012 financial year.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'G Johnston', with a long, sweeping horizontal line extending to the left.

Graham Johnston
Chief Financial Officer
Lindsay Australia Limited