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Company Announcements Office
Australian Securities Exchange

Finance for Forestry MIS Projects

Elders has previously advised of conditional in-principle agreement for the provision of bank finance for investors in Elders Forestry's 2010 MIS project.

Finalisation of a firm detailed agreement with the Rural Bank has not been possible. As a result, Elders Forestry will not be in a position to introduce bank finance to investors in its 2010 product offering.

Elders Forestry will continue to offer limited internally funded finance to approved investors as it has in previous years. Typically, Elders Forestry has funded 12 month grower finance of between \$5 million and \$15 million in recent years and, subject to demand, anticipates providing finance totalling up to \$15 million to investors in the 2010 project who meet strict credit criteria. Market indications are that this may well be sufficient to what now appears to be reduced demand levels.

Marketing of the 2010 product offering is continuing, albeit now with significantly lower sales expectations.

The implications of the anticipated lower MIS sales for earnings expectations from Forestry operations will naturally depend on the level of MIS sales ultimately achieved.

While this will not become known until 1 July, the outcomes will range between achievement of the modified¹ prospectus forecast for the full year Forestry underlying EBIT of \$3.1 million (if FY10 MIS sales of \$15 million achieved) to a full year underlying EBIT loss from Forestry of \$2 million (Nil MIS sales achieved). While a nil result is not expected, market indications are now that the MIS result may finish at the lower end of the sales range.

Implications for total Company FY10 profit expectations will become clear after June 30 when sales are finalised and, more importantly, when the outcome of other factors on Elders' FY10 profit are known, such as the Rural Services sales result from its peak third quarter sales period.

For these reasons Elders will provide more definitive guidance on FY10 profit through the previously advised Trading and Outlook Update to be given in July.

Further Comment:

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¹ *Original prospectus forecast of underlying EBIT of \$14.1 million modified for previously announced downgrade of \$11.0 million EBIT arising from the Forestry Asset Review reduction to accrued income forecasts.*