Mackay Sugar Limited
Chairman's Address
Annual General Meeting – 2009

It gives me much pleasure to present to you the Annual Reports and Financial Statements for the year ended June 2009 – the first full year of operation for Mackay Sugar Limited

For the Board and management it has been a time of change and adaption to a new operating environment. Whilst we were previously operating under the Cooperatives Act we commonly adhered to Corporations Law to guide us in the way in which we conducted our business and reported to you, which gave the Board some flexibility in complying with relevant government legislation.

Now that we are a company the obligations on the Board and management are much more tightly defined. The area in which you will continue to see the most change is in the way we report to you.
The distinction between growers and shareholders now has to be made. For instance, we will no longer be presenting financial information at meetings that are operational in nature, and which are held to inform growers and harvester operators of the day-to-day operations of the business. And correspondence to you regarding the Company's future business activities will need to be general in nature until such time that all aspects of the project are finalised. As shareholders you are entitled to be kept informed on company matters and we will continue to provide accurate and timely information.

Another area in which you will see a change over time will be our approach to being a good corporate citizen. We will need to significantly increase promotion of our importance to the area. Mackay is now an industrial and mining town and is no longer a sugar based economy. Many people in our local community have limited knowledge of the role we play in the community and over time Mackay Sugar will be taking a much more visible role in promoting our business and the importance of the sugar industry to the district. In all of this change however, the Board and management must never forget that the business is based on farming and people. The challenge to the Board is to maintain a balance between increasing shareholder value whilst maintaining incentive for our cane growing and harvesting sectors to remain profitable and ensure a reliable cane supply.

In May of this year the Board and senior management reviewed and refreshed our strategic plan. The Vision Statement that guides this plan appeared in the Annual Report. To put that into a simpler perspective – our goal is to increase the net asset value of Mackay Sugar to $500 million by 2014 from the current Balance Sheet value of $181 million. This challenging goal will be achieved by continually reviewing our factory performance through well planned capital and maintenance expenditure programs and through greater emphasis on safety and individual responsibility for performance.

An emphasis on teamwork by our staff and employees will encourage more debate and challenge of the way in which we operate at all levels of the business. We will continually improve our interaction with and engagement of all stakeholders and finally, be prepared to take advantage of any business development opportunities which may arise.

The Cogeneration Project which is an extension of our existing business is a logical first step towards future development of our business. You will hear more about Cogen from other speakers during this meeting. You will be requested to give the "green light" to this project later in the meeting.

Completion of the QUT Biorefinery research facility at Racecourse will place us in a unique position. While we will not have any right to intellectual property from potential new processes developed on-site, we will have an option on first commercialisation rights to any new technology.

One of the more interesting and creditable groups to visit the facility has been the Solazyme Group from California. They are looking for a facility to prove commercially a process to produce bio diesel from molasses. Solazyme is a venture capital group that has spent US$70 million to get to this point, and investors will be seeking some return from the research they have funded.

For the first time the strategic plan is also being used as the base for a tightly defined performance linked bonus system to increase the motivation of our people to achieve even better results. It will be introduced by June 2010. We have engaged outside organisations such as KPMG, Directors Australia, and more recently, the Hay Group to assist us to benchmark our salary packages. These companies produce their reports by comparing companies in similar industry groups and taking into account the number of staff and employees, turn-over of the businesses as well as the location of the business. The majority of salary packages comprise a base salary plus bonus based on performance, which gives a salary package. Our salary packages fit within the lower quartile range of comparative employers.

Just as we have to meet the market for haulout drivers, loco drivers or tradesmen, so must we meet the market in our salary packages. By introducing a bonus linked to performance, we believe the resultant increase in efficiency more than compensate for any bonus payment and will improve our overall profitability.

YEJ 2009 Season Final Results

	Budget	Actual
Cane crushed	6,000,000	5,222,449
CCS	13.65	14.15
Commercial index	103.44	102.36
Tonnes sugar (IPS)	847,146	756,225
Tonnes molasses	170,302	153,532
Sugar price	$320 per tonne	$346 per tonne
Molasses price	$90 per tonne	$111 per tonne
Season length	18.4 weeks	18.1 weeks

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Financials YE June 2009

	Budget $M	Actual $M	Comments
Sugar revenue	271.1	264.5	**Decreased tonnes of cane**
Molasses income	15.3	17.1	**Price better than budget**
Electricity sales + other income	5.2	2.8	**Land sales deferred to 2010, shorter season resulted In lower electricity sales**
Cane costs (inc allowances)	181.6	177.6	**Decreased tonnes of cane**
Total income	**110.0**	**106.8**	
Operating costs	30.3	29.3	**Reduced tonnes**
Maintenance costs	34.7	34.4	
Sugar transport	5.2	4.6	**Lower sugar production**
Milling overheads	18.4	16.8	**Pleystowe mill portion saved**
Milling controllable costs	**88.6**	**85.1**	
Depreciation	9.3	7.8	**Based on decreased units of production**
Total milling costs	97.9	92.9	
Milling EBIT	**12.1**	**13.9**	

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Financials YE June 2009

	Budget $M	Actual $M	Comments
Milling EBIT	12.1	13.9	
Group services	(15.4)	(14.2)	**Unfilled staff positions**
Refining EBIT	13.0	13.6	**Improved EBIT from SAL/NZ Sugar (M-t-M related)**
Corporate expenses	(3.0)	(3.5)	**Increased corporate activities**
Group EBIT	**6.7**	**9.8**	
Interest expense	(4.6)	(3.5)	**Lower interest rates on borrowings**
Reported net profit	**2.1**	**6.3**	

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Financials YE June 2009 – Net position

	Budget $M	Actual $M	Comments
Investments			
Cash on hand	8	10	
Total investments	**8**	**10**	
Funding			
IBD's/Unsecured notes	(45)	(29)	**Withdrawal of funds on conversion**
Refinery lease liability	(3)	(3)	
Rabo term debt loan	(8)	(30)	**Refinancing of debt facilities**
Total operations funding	**(56)**	**(62)**	
Sugar pricing			
Rabo margin loan facility	(10)	(15)	
Rabo USD call a/c	3	3	
Total sugar pricing funding	**(7)**	**(12)**	
Net position	**(55)**	**(64)**	

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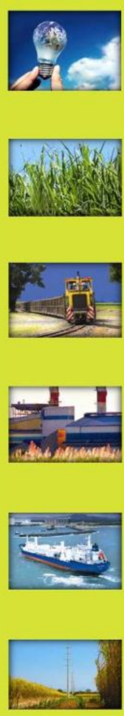

FINANCIALS YE JUNE 2009 – BALANCE SHEET

	2008 $'000	2009 $'000	Comments
Assets			
Total current assets	68,466	76,990	Increase in sugar & molasses stock due to early crush start date
Total non-current assets	274,117	283,518	Increase in capital additions
Total assets	**342,583**	**360,508**	
Liabilities			
Total current liabilities	111,932	126,414	Increase in hedge liability & Rabo margin loan
Total non-current liabilities	16,335	52,751	Increase in hedge liability & Rabo term loan
Total Liabilities	**128,267**	**179,165**	
Net assets	**214,316**	**181,343**	
Members equity			
Issued capital	1	1	
Reserves	(18,122)	21,102	Increase in hedge reserves
Retained profits	**199,464**	**193,213**	
Total members' equity	**214,316**	**181,343**	

2009 Season Forecast Sugar Price (as at Nov)

Pool	Tonnage IPS	Price $/T IPS
Shared	59,880	$616
Long term	220,421	$382
Grower long term	86,245	$411
Grower	7,100	$375
Short term	421,809	$471
Average sugar price		**$450**
Average cane price (inc. molasses & fibre)		**$44.86**

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It is difficult to present this report without making some reference to two other significant events that have taken place recently.

Firstly, a major change to our business has been the agreement to exchange a 25% share of New Zealand Sugar Company and Sugar Australia Limited for 8.77% of the shares of the new CSR Sugar and Energy company. As we have explained in a circular to you, it will provide the company a liquid asset rather than a share in an illiquid one. Without the demands of cash calls from the refinery business, it will provide a more predictable cash position.

Secondly, the discussions with Proserpine Cooperative on a proposal to merge the two businesses has been put on-hold indefinitely. That is not to say that negotiations cannot resume at some future date; however the board and management of Proserpine have decided to concentrate absolutely on the commissioning of their furfural plant. It was to have been commissioned earlier this year but has experienced some difficulties. Obviously if we can provide any assistance to Proserpine during this process, we will.

I can understand the priorities of Proserpine but still believe that bringing the two businesses together is in the best long term interest of the region, and I would suggest, for the whole industry. This being so, we will be happy to resume discussions with the Proserpine Board at a mutually acceptable time.

I believe that smaller sugar milling organisations, such as ours, must continue to look to further consolidation. At the moment there is a hostile bid by Maryborough for the take-over of Tully. After a shareholder meeting last week, the offer was formally rejected. That is not to say Maryborough will give up. From a newspaper report of the Tully shareholder meeting, it seems there have also been some discussions between Tully and Bundaberg Sugar. The drivers for this activity are the same as those we face.

For maximum efficiency the mills need consistently large volumes of cane.

The significant cost increases experienced over the past 10 years have made the control of expenses absolutely essential.

Cost containment is helped by throughput, to spread fixed costs. Only three of the last 10 years have given a sugar price that is only close to acceptable.

So our business is being squeezed on both sides of the ledger – income and expenditure. Amalgamation can help slow these pressures.

It is also obvious that we must find alternate sources of income, able to deliver returns for shareholders as well as being able to pay, as much as possible, for our raw material - to help keep the growing sector profitable. To do that however, we need to invest in large projects. Amalgamation of the independent groups will give the size to attract the capital needed as well as the strength to spread the risk.

The business approach of Tully, Proserpine, Mossman, Isis and ourselves is to recognise the value of the grower sector in the equation. It is an alternative business approach I do not believe the industry can afford to lose. We are open to discussions with those milling companies, with a similar business philosophy to ours, to improve the financial position of growers and shareholders alike.

In the lead up to the 2009 season I stressed that 2009 would be a historical year. It is fair to say it has succeeded very well and probably surprised many people.

Obviously, the weather and standing erect nature of the crop had a large bearing on our performance but it is important to note the excellent milling performance that was achieved as a result of the planning and execution conducted by our staff. The maintenance was targeted and appropriate. We had a full and experienced staff complement following the deployment of personnel from Pleystowe between the factories.

The Board has been delighted with the performance the staff have achieved this year and we thank them for it.

The harvesting sector were probably lead to believe that the year would be easier with only three factories operating. With mills performing very well, it has not been an easy season for them with the constant pressure to meet supply demands. We thank them for rising to the challenge. The only disappointment was the drop in tonnage from the original estimated tonnage. The better price has been helpful but a crop closer to estimate would have been the cream for the growing sector. The business relies on that production and the Board acknowledges the commitment and resourcefulness of our growers.

Once again we have had an excellent working relationship with the industry organisations, lead by Paul Schembri and Ross Walker. I listen to stories from other sugar districts and I am very thankful we continue to work so well in a constructive and respectful partnership.

In my address last year I said the Board accepted the challenge and responsibility given to us when we changed from a cooperative.

Approval for that change was also an acknowledgement by you that we had a plan for change. We are about to deliver the first part of the plan with your approval to invest in Cogen. It will be the base on which we can build so much more. To do that however, we will need your continued support and cane production. From time-to-time there will be tension between the operational needs of the milling, harvesting and growing sectors. That is healthy and should make each sector continually question the effects of its decisions on the other sectors.

The Board and Management are committed to increasing shareholder value while doing all possible to increase the income of the farming sector.