



9 May 2019

COMPANY UPDATE

I would like to provide an update on progress of the recapitalisation with Nordzucker, the crop, and our maintenance and capex program.

With the recapitalisation, we have a number of conditions to satisfy before we can hold a shareholder vote. Before we can issue the documents to you for that vote, we need to lodge the Explanatory Memorandum (EM) and Independent Expert's Report (IER) with ASIC to review. Once that happens we will send these documents to you as part of the notice of meeting.

A few of the conditions precedent that need to be satisfied are taking longer than we would have liked, primarily because we are working through these with third parties. We do not have complete control of their schedule.

At this stage, if we can complete some of the main conditions precedent in the next couple of weeks, submit the documents to ASIC for their required two week review and then circulate the notice of meeting, the extraordinary general meeting is likely to be towards the end of June.

We cannot submit the documents to ASIC until the main conditions precedent are satisfied. As a result of this we have agreed with Nordzucker that the completion date will be extended by one month to 30 June 2019.

CONDITIONS PRECEDENT

FIRB Approval

Completed.

CCS Formula Change

The approval process for the agreement for changing from PRS to CCS was initiated Thursday 2 May. To-date, just over 255 growers out of 823 have approved the change back to CCS, subject to the Nordzucker transaction proceeding. Many growers are able to complete the process on-line and will have received an email with the link to the document and signing page. For those growers who have not supplied an email address there is a manual process of approval. For the transaction to proceed all growers need to agree with this change. You can monitor progress at www.mkysugar.com.au.

This condition does not have to be finalised before we send the documents to ASIC and the process will continue in parallel. However the process must be completed before the Nordzucker transaction can be finalised.

Finance

Our two secured lenders have almost finalised their agreements with us for the facilities to be provided after the Nordzucker transaction completes.

The Corporate noteholders (originally \$50M) have accepted an offer for repayment of 50c per \$1 invested. The agreement is that we will repay these notes at this reduced rate once the transaction has completed. The Noteholder subcommittee and FIIG research department recognised MSL's situation and recommended to note holders that they accept the offer. A 75% vote threshold was surpassed and now the note holders are waiting on the satisfaction of the remainder of the conditions. We understand that this was a very difficult decision for the note

holders and we thank them for their consideration and understanding of our difficult circumstances.

Other Conditions

The documentation for the Nordzucker shareholder loan is almost complete.

We have been in discussions with the State Government for some time seeking assistance with our capital and maintenance programs and these discussions are continuing.

In summary, the finance part of our recapitalisation is well advanced and hopefully coming to a close in the next week. This area has been very detailed with many parties working together to get an outcome we can all move forward with.

The finance must be finalised before we can lodge the documents with ASIC.

Mossman Mill Divestment

Discussions are continuing with Far Northern Milling for them to take over Mossman Mill prior to the commencement of the 2019 season. There are some significant contracts (MSF toll crushing agreement and Qube cane transport contract) that need to be novated from Mackay Sugar to Far Northern Milling. Discussions are continuing with these parties and FNM. FNM are finalising their side of this transaction. Hopefully all parties will be ready to sign off on this within the next week.

The Mossman divestment agreement must be finalised before we can lodge the documents with ASIC.

Constitution and Reports for Submission to ASIC and then to Shareholders

The constitution is complete and will be sent out with the notice of meeting. The Explanatory Memorandum explaining the proposed transaction is practically complete and awaiting the finalisation of the remaining conditions precedent.

The Independent Expert's Report is also practically complete awaiting the finalisation of the remaining conditions precedent.

These two reports obviously must be completed before submission to ASIC.

Shareholder and Grower Approval

The aim now is have the EGM around the end of June.

Once we have received approval on the documents from ASIC, we will be able to send you the notice of meeting with the IER, EM and constitution, and giving you 21 days' notice of the meeting.

We are still planning to have a separate, optional, meeting two weeks before the EGM so that growers and shareholders can ask questions and express their opinions on the proposal.

At the EGM due to the voting requirements, we will have very limited time for questions and comments and we encourage your attendance. This meeting will be focussed on completing the voting process, hence the scheduling of the other optional meeting prior to the EGM for broader discussion.

Season Start Dates

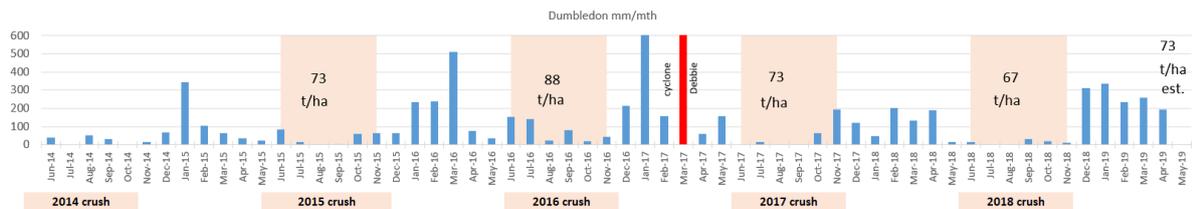
We have not had discussions with grower representatives on this yet. Our maintenance programs are targeting a staggered start of the mills in the week commencing 3 June.

Crop Estimate

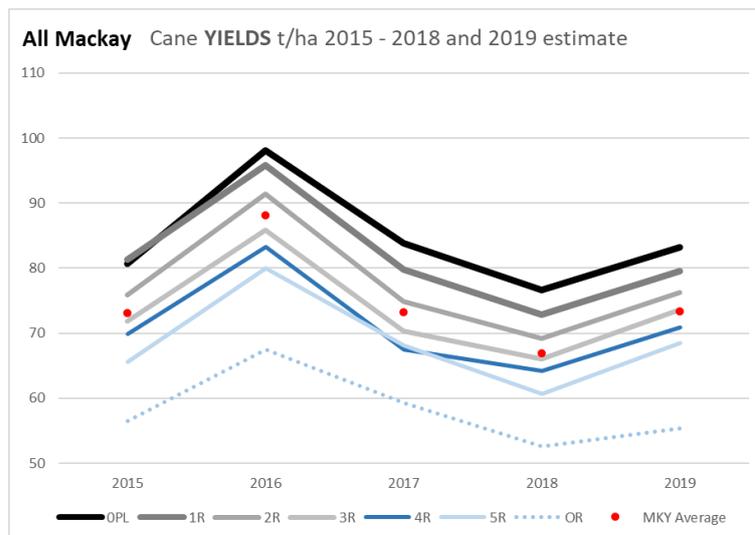
We are still in the process of finalising the estimate. Almost 80% of growers returned their farm maps and the final data from this and satellite maps will be used to determine the area under cane for the 2019 crop. Thank you for the excellent response to returning the maps.

We have had some very good weather since December. However in many areas we had little moisture through all of last season. Some of the new plant cane suffered and the ratoons lacked water in a number of zones to get away to a good start. However we have seen some good recovery in the crop since December.

This graph shows the monthly mm of rainfall at Dumbleton Weir since 2014. I know rainfall varies slightly across the subregions and we will complete this analysis for each productivity zone. The rainfall has been very regular, better than in previous recent intercrop periods.



The 2019 crop estimate is coming out at around 73 t/ha. It might improve further with continued favourable weather. Another interesting graph is the cane yield t/ha by ratoon class since 2015. While we have seen some recovery for 2019 we are still well below the high levels of 2016 season. The good weather pattern over the last five months gives us some hope of further upside.



We will finalise the area under cane once we get some clear satellite photos.

Current Maintenance Program

The focus is Rate, Reliability and Recovery, the main game.

The new Racecourse ash clarifier went up onto the supports about a month ago without problem and restarted without any commissioning issues. Well done to everyone on that project. It was well planned and completed in a limited time while the Cogeneration and sugar refinery was shut down for annual maintenance.

For this update, I will show some of the work underway at Marian mill to improve performance for this crush.

Marian – Crystallising Vacuum Pan Retube

We had a number of tube leaks in this pan (like the Racecourse pan had) and 500 4" mild steel tubes are being cut out and new tubes are being welded in place. This will help crushing rate especially in the centre of the season when we have high CCS.



Marian Evaporator Tube Replacement

A number of 2" stainless tubes are being replaced in the evaporators. Again this will help crushing rate through most of the season.



Marian Boiler 3 Ash Riddling Hopper Replacement

The burnt ash from the bagasse falls into these hoppers under the boiler and is then separated from the water via filters. The filtered ash returns to the cane fields. This section of the hopper needed complete replacement.



As well as completing the work program for the 2019 crushing season, MSL engineers and Nordzucker engineers are in discussions around planning the larger capital work to be completed prior to the 2020 season. At this stage this is mostly focussed on optimising the equipment design and setting out the scope of work to be completed before 2020 season.

I can assure you that management and the Board are focussed on doing the best we can with the mills for this season and at the same time completing the conditions we need to satisfy so that we can proceed to a grower vote on the Nordzucker transaction. Nordzucker are also working closely with us in this task. I understand from your comments that many growers would like to have the voting process completed now but it is not possible until we complete the process with ASIC.

Mark Day
EXECUTIVE CHAIRMAN and CEO