



11 September 2017

COMPANY UPDATE

CANE SUPPLY

Our Rollingstock Department recently reached the milestone of being four years lost-time injury (LTI) free. Besides the unfortunate road vehicle incident last month where two of our train crew were injured due to the negligence of a third party motorist, the Cane Supply Business Unit has continued to achieve good safety performance in our internal operations. However, one of our trains collided with a tractor-trailer combination that was parked within the rail corridor resulting in a serious collision with substantial damage to over 50 cane bins and the tractor-trailer combination. A significant incident alert was sent out and all growers and harvest contractors are reminded to please be vigilant around cane rail operations and to keep clear of the rail corridor at all times (minimum 2.5m either side of centreline).

Bin deliveries have been in line with the on-time target at 82%. Outside stops for the year, excluding rain, are 2.5h/week against a target of 5.0h/week. There are still no major concerns at this stage from the impact of reduced day shifts on service levels. The derailments ratio is currently well above target at 1:23,114. Our operations and maintenance teams are to be commended for their efforts in this regard.

Rail Infrastructure and Rollingstock availability has been reasonable. The shortage of bins has been made worse with several bin write-offs following the serious tractor-trailer collision mentioned above. Further potential maintenance costs requirements for Rollingstock and Rail Infrastructure are being assessed against the current financial year available funds and potential impacts on transport operations.

MACKAY OPERATIONS

The Mackay mills achieved three weeks of good throughput and availability over the past month. Production improved during August with some factories meeting targets for availability and good crush rates.

Farleigh mill lost crushing opportunity with repairs to the Primary Juice Tank and No 2 mill scraper plate together with a factory blackout, while at Marian mill the replacement of the apron plate caused a significant delay.

Sugar quality has improved with significant gains at the three factories. This will continue to be a focus as the crushing progresses.

Cogeneration production has been above target following the implementation of standard operating procedures to ensure performance is consistent. The stack emission tests recently conducted were within licence limits at all mills.

MOSSMAN OPERATIONS

Mossman mill has crushed 510,777 tonnes of cane, slightly ahead of budget for the year. Toll crushing at Arriga mill adds a total of 163,506 tonnes crushed to-date, making a grand total of 674,283 tonnes for the Mossman district.

Plant availability has been down slightly over the past four weeks with boiler issues being the main cause, yet with continuing dry conditions the mill has achieved steady sugar production over this period.

It was interesting to note that 120 years ago on 23 August 1897, the first cane was crushed through the mill at Mossman. In that year a total of 33 growers supplied the mill with 27,905 tons of cane which produced 2,965 tons of raw sugar. A great achievement considering the hardships and logistical problems they had to encounter during these initial years of the mill's formation.

CROP ESTIMATE – MACKAY AND MOSSMAN

A review of the crop estimate for Mackay and Mossman has been undertaken due to the dry conditions that have prevailed since the commencement of crushing operations.

The current working crop estimate for Mackay is 5.2 million tonnes, however the rain forecast for August did not eventuate and the estimate has continued to decline due to the very dry conditions and the hotter than usual winter months. A straight line projection of the current cut:estimate trend would result in a 4.96M tonne crop, although this assumes continued dry and hot conditions.

On this basis the long term forecast has been reviewed to account for the dry weather conditions and the crop estimate has been revised down to 5.1 million tonnes for the Mackay region. The crop performance and weather conditions will be monitored over the coming weeks and if necessary the working estimate will be reviewed again.

On the up side, the PRS has been 0.6 units better than forecast over the last five weeks and this trend is likely to continue depending on the weather conditions going forward.

A review of both the Mossman coastal and Tableland cane crop was also undertaken based on blocks completed and tonnes cut to estimate. As a result, the Mossman crop has been reduced from an estimate of 1,209,000 tonnes to 1,185,000 tonnes.

The current dry weather has been a significant factor in this reduction in estimate, however the current cane CCS is running above average to the forecast.

FINANCIAL

In accordance with accounting standards, the Directors have determined to revalue the Sugar Australia assets during the financial year resulting in a reduction in the value of Investments of \$34.6m. This revised valuation was driven by the reductions in volumes and margins from the oversupply in the domestic refined sugar market, as well as increased energy costs. Under the Accounting Standards this required the Board to impair the carrying value of Investments. This amount was required to be treated as a loss in the statement of profit or loss for the year. This write-down of milling assets was a book entry for accounting purposes only and had no effect on the cash flow of the Company.

COURT CASE

The case brought by growers regarding the \$2 per tonne grower deduction was heard in the Supreme Court on Friday 8 September. The Judge listened to the submissions by the Applicants and the Respondent and will make his decision in due course.



A.S. Cappello
CHAIRMAN