



31 August 2018

Circular to Growers and Shareholders

Update on progress of the Mackay Sugar Recapitalisation Plan

On 23 January 2018, the Noteholders approved, by way of Circulating Resolution, the extension of the term of the Notes for a period of 12 months, with the Notes now maturing on 5 April 2019.

The extension of the term of the Notes, and the other amendments set out in the Circulating Resolution, were subject to Mackay Sugar's secured banks agreeing, by no later than 5.00pm (Sydney time) on 2 March 2018, to extend the issuing bank facilities to 2 March 2019. The secured banks approved that extension.

As set out in clause 2.13 of the Explanatory Memorandum accompanying the Circulating Resolution, Mackay Sugar agreed to provide a formal Noteholder update on progress of the Mackay Sugar Recapitalisation Plan every 2 months, with the first update having been issued on 28 February 2018.

By way of further update, Mackay Sugar advises as follows:

Recapitalisation Plan

1. The Recapitalisation Plan is continuing to track behind the timetable set out in section 2.13 of the Explanatory Memorandum.
2. Further questions raised through the recapitalisation process have been addressed and we understand the internal analysis and commercial, financial and legal due diligence is being finalised.
3. Whilst there continues to be active engagement during this process, we are still not at a stage where the existing confidentiality agreements will allow us to disclose the details of those still currently involved.
4. There have been further site visits at Mackay to allow relevant staff and advisors to progress the outstanding due diligence issues. Based on current proposed timelines we expect further Mackay site visits to be conducted in mid-September.
5. The Board now expects a final decision as to whether any formal binding bid will be lodged by mid-October 2018.
6. The Board understands that any bid will also be subject to receiving regulatory approval (ACCC and FIRB) where necessary.
7. The State Government duty considerations are also continuing to be addressed.
8. Whilst the bidding and due diligence process has been delayed, the Board's hope is that, subject to an acceptable bid being received, the process can still be completed by early 2019.
9. We have previously contacted FIRB in advance of the possible bids and briefed them on Mackay Sugar and the process we are undertaking. That will assist in turning around the FIRB applications once lodged. FIRB have not yet been advised of any potential bidder's details.

MOSSMAN

10. The Company is also continuing with its separate process for the sale of Mossman mill as a stand-alone asset.
11. A put and call option agreement (**Option Agreement**) has been executed with Far Northern Milling Pty Ltd, an entity which is controlled by the sugar cane growers in the Mossman and Tablelands area, to facilitate a sale of the Mossman mill.
12. The Option Agreement is subject to a number of conditions, including the buyer completing satisfactory due diligence, obtaining finance for the acquisition and the negotiation of certain commercial documents. These conditions precedent to the exercise of the Option Agreement are being progressed by both Mackay Sugar and Far Northern Milling.
13. The agreement allows either Mackay Sugar or Far Northern Milling to require the sale of the Mossman mill subject to satisfaction of these conditions.
14. Along with the Mossman mill assets, Far Northern Milling would also assume all employee entitlements and other historical obligations relating to the Mossman mill as well as payment of a nominal monetary consideration to Mackay Sugar.

2018 SEASON

1. The crop estimates for the 2018 season has been revised to 4.82 million tonnes for Mackay and remains at 1.15 million tonnes for Mossman.
2. We are at around the 55% mark for harvesting and processing of the crop for the season in both Mackay and Mossman.
3. The season to date has been very dry with lower than average rainfall. This has facilitated a steady harvesting and improved milling performance but it will impact on the planting and crop forecast for the 2019 season.
4. As advised previously there is a significant surplus of raw sugar in the export market for the 2018 season and this is having a negative impact on sugar prices for both the miller and growers, with raw sugar prices reaching a low of around AUD\$300, the lowest price for ten years. This will continue to put pressure on Mackay Sugar's forecast for the 2018 season.
5. The raw sugar price outlook for the 2019 season is also not looking to greatly improve on current prices based on current world production and consumption forecasts.



Mark Day
EXECUTIVE CHAIRMAN AND CEO