

5 June 2017

COMPANY UPDATE

CANE SUPPLY

Start dates were agreed with the Bargaining Agents on 10 May as follows (taking cyclone lost time and damage repair requirements into account):

Farleigh Mill:	30 May
Marian Mill:	6 June on one milling train (14 June for two trains)
Racecourse Mill:	8 June

Significant rainfall during the week ended 21 May 2017 resulted in the majority of harvest groups at Farleigh Mill confirming that they would not be able to harvest on 30 May. It was therefore decided that the Farleigh start be pushed back to 5 June. Crushing at Farleigh commenced as planned with a short delay due to shortfalls in supply from the previous day. At the time of writing committed cane supply was not sufficient for the planned Marian mill start on 6 June as well as the planned Racecourse mill start on 8 June. The Marian and Racecourse starts will be dependent on supply and will be assessed on a daily basis. On the whole track repairs for cyclone damage have been slightly ahead of target by a few days and no significant impacts will be felt by harvest groups at start-up. Several branch lines and sidings will still require repairs over the next few weeks and harvest groups should be able to work around them until they are completed. The efforts of our Rail Infrastructure team in getting all of the main sections of track open are commendable. Their dedication and extra effort is much appreciated.

As was presented at the March shed meetings the Cane Transport operation is rolling out another efficiency/cost saving initiative for 2017. This involves additional loco runs being removed from the day shift through further spread of hours and complete re-arrangement of loco runs. A reduction of one day shift train will be achieved at each of Farleigh and Marian over and above the reductions last season at all three mills. The initial consultation has been completed with the affected harvest groups who have been issued with updated delivery and collection schedules. The Cane Transport team is committed to maintaining on-time delivery standards and will work with the affected groups to minimise the impact on them. We appreciate the cooperation of the harvest sector with this efficiency initiative.

Also presented at the March shed meetings was a high level summary of various efficiency improvements that are being contemplated in our harvest management and cane supply as defined in Annexures A and B of the Cane Supply and Processing Agreement. A full review of the proposed Annexure A and B amendments with the Bargaining Agents is planned to commence shortly. Once finalised all growers will be notified of the final amendments well before implementation at the start of the 2018 crush to ensure adequate preparation time.

MACKAY OPERATIONS

Steam trials are currently underway and at different stages of completion at the three Mackay factories.

The significant maintenance tasks undertaken at the Mackay mills are as follows:-

Farleigh mill has repaired their bagasse bin, plough boxes on No 4 belt, 3.5MW turbine and alternator; and also replaced the gearbox on the cane elevator.

The team at Marian Mill has completed No 1 Boiler and a warming fire is in readiness to make steam. The Project Team has done an excellent job completing this task on time and on budget. Other projects completed at Marian include an overhaul of the bagasse bin, repairs to No 1 bagasse belt, repairs to 5MW turbine and alternator, repairs to the injection water pipe to cooling towers and numerous tube repairs in the effets.

The calandria on 5 east effet, the top strake on the pan wash tank, fabrication and installation of a new inside hot water tank have all been completed at Racecourse.

The new Central Control room at Marian has been finished and is in operation. All operators at Marian have proven competency for their theory training with practical assessments taking place during the crushing period. Farleigh and Racecourse mills have completed boiler theory, and practical assessments will also be conducted during the crush. Standard Operating Procedures have been written for all stations at Marian factory and the majority written for Farleigh and Racecourse mills.

MOSSMAN OPERATIONS

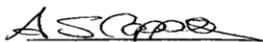
Mossman mill has completed the 2017 maintenance/capital program on time and has been testing and commissioning the plant over the past few weeks. The main focus this maintenance period has been on the Babcock boiler dust collector and improvements to No 6 mill. The plant steaming day was held on Wednesday 24 May with all of the plant successfully tested live and crushing operations commenced on 5 June 2017. Arriga Mill will toll crush 300.000 tonnes of Mackay Sugar consigned cane and commenced crushing operations on 30 May 2017.

Seasonal employees commenced work on 1 June which will see the start of locomotives operating on the network. The technical plan for Mossman has the mill targeting a crushing rate average of 337 tonnes cane per hour and plant reliability of 84%. The season is expected to be completed early November at both Mossman and Arriga Mills.

KIDDER WILLIAMS REPORT

The Kidder Williams (KW) plan has been progressed over the last month. The \$2/tonne grower contribution/expense reduction was agreed to by Canegrowers and ACFA, and in exchange they have been granted a two year review period and recognition of their contribution in the form of a deferred cane payment. KW continues to work towards an Information Memorandum and ultimately a tendering process for the cogeneration assets of the business, and this is expected in the coming month. KW also continues to work with the Mossman Grower Group to determine interest in purchasing the mill at Mossman.

There have been a number of rumours circulating around the district that there has been an offer from a third party to purchase the Company. The Board would like to reassure growers that there has not been any offer to acquire the Company. Kidder Williams continue to progress the sale of assets as outlined in the plan put to growers and shareholders at the information meetings and recent round of shed meetings.



A. S. Cappello
CHAIRMAN