



10 June 2019

Circular to Shareholders

Update on progress of the Mackay Sugar Recapitalisation Plan

On 18 March 2019, 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 2020.

On 2 May 2019, by way of Circulating Resolution, the Noteholders agreed to amend the redemption price for the Notes, subject to the proposed recapitalisation of Mackay Sugar by Nordzucker AG (**Nordzucker**) proceeding. We acknowledge that this was a difficult decision and we thank the Noteholders for their support in the difficult circumstances facing the Company.

Mackay Sugar agreed to provide a formal Noteholder monthly update on progress of the Mackay Sugar Recapitalisation Plan. By way of further update, Mackay Sugar advises as follows:

Recapitalisation Plan

1. Under the binding bid received from Nordzucker, there is still one condition to satisfy before we can proceed to a Mackay Sugar shareholder vote on the Nordzucker offer.
2. As part of the formal process for the grower vote, we have prepared the Explanatory Memorandum (**EM**) and Independent Expert's Report (**IER**) and these are now just awaiting the satisfaction of the final condition precedent.
3. Once finalised we will lodge these documents with ASIC to review. Following that review and approval of the documents they can be circulated as part of the notice of meeting.
4. The one remaining condition precedent that needs to be satisfied is taking longer than we would have liked, primarily because we are working through this with the growers who are proposing to purchase Mossman Mill. We do not have complete control of their schedule.
5. At this stage, if we can complete the remaining condition precedent in the next weeks, submit the documents to ASIC for their required review (up to two weeks) and then circulate the notice of meeting, the extraordinary general meeting is likely to be held towards the end of July 2019.
6. As a result of this timing, we will need to agree with Nordzucker for the completion date to be extended by one month to 31 July 2019. This is consistent with the date in the Noteholder extension, for the recapitalisation to be completed by 31 July 2019.

CONDITIONS PRECEDENT

7. The current status of the conditions precedent is as follows:

FIRB Approval

- This has now been provided to Nordzucker.

Cane Supply Agreement - CCS Formula Change

- The approval process for the agreement for changing the cane supply payment formula from PRS to CCS was initiated on Thursday 2 May. To date, just over 91% of growers by number and approximately 92% by volume have approved the change back to CCS, subject to the Nordzucker transaction proceeding.
- 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.
- The board believes the support for the change to the cane payment formula is also indicative of the likely level of voting support for the Nordzucker transaction to proceed.

Finance

- Our two secured lenders have agreed on arrangements with the Company for the facilities to be provided after the Nordzucker transaction completes.
- The documentation for the Nordzucker shareholder loan is almost complete.

Other Conditions

- The State Government has announced its support for the Nordzucker transaction to proceed and has confirmed it will provide a support package of up to \$14m.

Mossman Mill Divestment

- Discussions are continuing with Far Northern Milling Pty Ltd (**FNM**) for them to take over Mossman mill during the 2019 season.
- There are some significant contracts that need to be addressed between Mackay Sugar and FNM as part of the mill sale. Discussions are continuing with the parties to these contracts and FNM.
- FNM are finalising their side of this transaction. Hopefully all parties will be ready to sign off on this for completion by 1 July 2019.

Shareholder and Grower Approval

- The aim now is to hold the shareholders meeting around the end of July 2019.
- Once we have received approval on the documents from ASIC, we will be able to send the notice of meeting with the IER, EM and constitution to shareholders. We are required to provide 21 days' notice of the meeting.

Season Start Dates and Crop estimate

8. Our maintenance programs are largely finalised and we have a staggered start of the mills. Farleigh started on 4 June, Marian on 6 June and Racecourse is schedule for 11 June 2019.
9. The 2019 crop estimate for Mackay is 5 million tonnes based on an average cane production of approximately 74 tonnes/hectare.
10. Unfortunately the sugar price is still under pressure with prices around AUD\$402 for Mackay, which is below the cost of production.



Mark Day
EXECUTIVE CHAIRMAN AND CEO