

# Supplementary prospectus

Mackay Sugar Limited ACN 057 463 671

## Important information

This supplementary prospectus (**Supplementary Prospectus**) is dated 12 July 2018 and is intended to supplement and amend the information contained in the unsecured notes prospectus of Mackay Sugar Limited ACN 057 463 671 (**Mackay Sugar** or **Company**) dated 5 December 2017 and the supplementary prospectus dated 18 December 2017 (**Prospectus**). Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 12 July 2018. Neither ASIC nor its officers take any responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, this Supplementary Prospectus will prevail.

The Company has issued a printed version of this Supplementary Prospectus and the Prospectus. Electronic versions may be accessed at [www.mkysugar.com.au](http://www.mkysugar.com.au).

The Prospectus and this Supplementary Prospectus are important and should both be read in their entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents of these documents.

This Supplementary Prospectus contains particular changes to the Prospectus. Other than the changes set out below, all other information in the Prospectus remains unchanged.

## 1 Why is Mackay Sugar issuing this Supplementary Prospectus?

- (a) As a result of requirements under the Corporations Act in connection with the Company Update issued via the Company's website on 4 July 2018 relating to the Company's Budget for the year ended 31 May 2019 (**YEM19**), the Company is issuing this Supplementary Prospectus.
- (b) This Supplementary Prospectus provides certain Entitled Applicants with the right to withdraw their Applications and be repaid any Application Monies paid by them to the Company (See Section 4 of this Supplementary Prospectus).
- (c) This Supplementary Prospectus applies to Entitled Applicants, being Eligible Investors:
  - (i) who validly applied for and were issued Unsecured Notes under the Offer **after 28 June 2018** in accordance with the Prospectus; or
  - (ii) any other person who has **applied for Unsecured Notes under the Offer, but who has not yet been issued** with such securities as at the date of this Supplementary Prospectus,in each case, who are entitled to withdraw their Application under this Supplementary Prospectus.
- (d) Entitled Applicants should be aware:

**This is a supplementary prospectus intended to be read with the prospectus dated 5 December 2017 and the supplementary prospectus dated 18 December 2017, issued by Mackay Sugar Limited ACN 057 463 671.**

- (i) they only have one month from the date of this Supplementary Prospectus (i.e. until 12 August 2018) to withdraw their Application; and
  - (ii) submission of a Withdrawal Notice is irrevocable.
- (e) This Supplementary Prospectus contains:
- (i) information in respect of the Budget for YEM19; and
  - (ii) details of the process for Entitled Applicants to withdraw their Application, how the return of Unsecured Notes withdrawn will be dealt with by the Company and the requirement for the Company to repay Application Monies to Entitled Applicants.

## **2 Budget for YEM19**

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The following is the Company Update disclosed by the Company on its website on 4 July 2018 in respect of the Budget for YEM19:

### ***COMPANY UPDATE***

#### ***BUDGET YEM19***

*The Board approved the budget for the year ending 31 May 2019 at their June meeting. The budget has been developed with the objective of continuing to fund operations as well undertake plant refurbishment targeting improved operational performance.*

*The budget is based on a crop estimate of 5.09 million tonnes for the Mackay region and a sugar make of 705,012 IPS tonnes. For Mossman the crop estimate is 1.15 million tonnes and 148,265 IPS tonnes of sugar.*

*This crop estimate together with the decline in the world sugar price, due to the world sugar surplus that is impacting all sugar exporters, has materially impacted on forecast revenue for this budget year. Total operating revenue is forecast at \$395m, with cane payments at \$227m, resulting in an Operating EBITDA loss of -\$10m (which excludes financing costs, depreciation and non-operating revenues which are in line with YEM17). Maintenance and capital expenditure are budgeted at similar levels to last year at \$52m and \$8m respectively focussed entirely on mill performance with no allocation to development capital expenditure.*

*Due to the current dry weather there could be a further slight decline in the crop in Mackay, and the Board will continue to monitor the impact of any decline in crop on the budget.*

*The ability of the Company to deliver this budget requires the continued support of its funders.*

*The level of funding for maintenance and capital expenditure to improve mill performance will ultimately depend on the outcome of the current recapitalisation process. The Board and management will continue to focus on the recapitalisation in order to place the Company in the best position possible to improve the factory performance and operations for the future.*

### 3 Update to ASIC Benchmarks

- (a) The table in section 1.5 of the Prospectus is deleted and replaced with the following table:

Description of ASIC benchmark	How does Mackay Sugar satisfy this benchmark? If the benchmark is, or is not satisfied, Mackay Sugar's explanation as to why.
<p><b>Benchmark 1: Equity ratio</b> An issuer (other than property developers) should maintain a minimum equity ratio of 8%.</p>	<p>Complied with. The financial statements for 31 November 2017 indicate that Mackay Sugar had an equity ratio of 34.1% which exceeds ASIC's benchmark equity ratio of a minimum of 8%. Comparatively, for the period ended 31 May 2017, and based on audited financial statements, the calculated equity ratio was 41.4%.</p>
<p><b>Benchmark 2: Liquidity</b> An issuer should:</p> <ul style="list-style-type: none"> <li>(a) have cash flow estimates for the next three months; and</li> <li>(b) ensure that at all times it has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.</li> </ul>	<p>Complied with. The management of Mackay Sugar prepare an annual cash flow estimate for the next financial year. Based on assumptions and considerations described in section 5.6 of the Prospectus, these estimates demonstrate that Mackay Sugar has on hand sufficient cash or cash equivalents to meet its projected cash needs over the next three months and subject to the continued support of its funders for the remainder of the financial year. In the 12 months to 30 June 2018, 77% of the funds invested in the Unsecured Notes have been rolled over. Mackay Sugar expects a continuing withdrawal rate from existing Noteholders with rollovers expected to be no greater than has been experienced in the last 12 months. For the past three years to 30 June 2018, Mackay Sugar has issued Unsecured Notes for terms of maturity ranging from 7 day call to 5 Years. The average annual 'rollover' rate of Noteholders across this three year period has been 80.2%. While Mackay Sugar is not required by its trust deed to maintain a minimum dollar value of its assets as liquid assets, disclosure is made that in the last three years to 30 June 2018, the level of end of month liquidity (based on monthly unaudited statements) averaged \$20.290 million and varied from between \$3.395 million and \$52.734 million per month.</p> <p>Mackay Sugar does not match the maturity of assets with the maturity of liabilities. It is expected that all projected cash requirements will be met from cash on hand or subject to the continued support of its funders on call cash advance facilities. Estimates of rollover</p>

Description of ASIC benchmark	How does Mackay Sugar satisfy this benchmark? If the benchmark is, or is not satisfied, Mackay Sugar's explanation as to why.
	<p>and retention rates take into consideration historical rates as well as assumptions on the cash flow of investors and the competitiveness of terms on offer. If rollover rates during the next three months were 20% less than the past three months for note funds not held on an "at call" basis, the projected cash requirements would be approximately \$0.93 million. This would be funded from surplus cash at hand or subject to the continued support of its funders drawn from cash advance facilities. If rollover rates during the next three months were 20% less than the past three months for note funds held on an "at call" basis, the projected cash requirements would be approximately \$0.82 million. This would be funded from surplus cash at hand or subject to the continued support of its funders drawn from cash advance facilities.</p> <p>Cash flow is forecast over various timeframes from daily for the next week forward, to monthly, to three monthly and to one year. Assumptions used are similar to those used for budgeting and management reporting purposes and are updated with the latest information at hand. Assumptions include the amount required for investment into capital projects and assets, USD vs AUD rates, sugar swap prices, advance programs, and available facilities.</p>

<b>Description of ASIC benchmark</b>	<b>How does Mackay Sugar satisfy this benchmark? If the benchmark is, or is not satisfied, Mackay Sugar's explanation as to why.</b>
<p><b>Benchmark 3: Rollovers</b></p> <p>An issuer should clearly disclose its approach to rollovers, including:</p> <p>(a) what process is followed at the end of the investment term; and</p> <p>(b) how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.</p>	<p>Complied with.</p> <p>Sections 2.10, 5.6 and 7.3 of the Prospectus explain Mackay Sugar's position that Noteholders holding 7 Day Call Unsecured Notes may request their 7 Day Call Unsecured Notes to be redeemed at any time with the delivery of written notice to Mackay Sugar. Holders of Selected Term Unsecured Notes and 6, 12, 24 Month and 5 Year Unsecured Notes are to give written notice to Mackay Sugar at least ten Business Days prior to the Maturity Date for redemption, if redemption is required. Unless written notice/instructions are received by Mackay Sugar, then Maturing Money will automatically be reinvested in new Unsecured Notes for the same term as the prior investment and the interest payable on the Maturing Money will be invested in 7 Day Call Unsecured Notes. The interest rate applicable will be as listed in the then current Rate Sheet. At least 15 days before maturity, Mackay Sugar issues a maturity reminder notice advising the investor of the pending maturity of the investment and the options available, including how the investment will be treated if no instructions are given to Mackay Sugar. The maturity reminder notice also refers the investor to any current prospectus and continuous disclosure announcements. The investor also receives an Application Form (if they wish to change the term or amount of the maturing investment) as well as the latest Rate Sheet.</p>
<p><b>Benchmark 4: Debt Maturity</b></p> <p>An issuer should disclose:</p> <p>(a) an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and</p> <p>(b) the interest rates, or average interest rates, applicable to its debts.</p>	<p>Complied with.</p> <p>The table below 'Benchmark 4: Table of debt maturity' shows this information by reference to the term of the interest bearing liabilities in place and applicable maturity dates (based on quarters) up to the end of the second quarter in 2021, i.e. 30 June 2021.</p>
<p><b>Benchmark 5: Loan Portfolio</b></p> <p>An issuer who directly on-lends funds, or indirectly on-lend funds through a related party, should disclose the current nature of its loan portfolio.</p>	<p>Not applicable.</p> <p>Mackay Sugar does not need to comply with this benchmark because Mackay Sugar does not on-lend funds through a related party. See also section 5.6 of the Prospectus under the heading 'Credit ratings'.</p>

Description of ASIC benchmark	How does Mackay Sugar satisfy this benchmark? If the benchmark is, or is not satisfied, Mackay Sugar's explanation as to why.
<p><b>Benchmark 6: Related Party Transactions</b></p> <p>An issuer who on-lends funds should disclose its approach to related party transactions.</p>	<p>Not applicable.</p> <p>Mackay Sugar does not need to comply with this benchmark because Mackay Sugar does not on-lend funds to related parties. See also section 5.6 of the Prospectus under the heading 'Credit ratings'.</p>
<p><b>Benchmark 7: Valuation</b></p> <p>This benchmark only applies to issuers who lend money for property related activities.</p>	<p>Not applicable.</p> <p>Mackay Sugar does not lend money for property related activities.</p>
<p><b>Benchmark 8: Lending Principles – loan to valuation ratios</b></p> <p>This benchmark only applies to issuers who on-lend, directly or indirectly through a related party, money for property related activities.</p>	<p>Not applicable.</p> <p>Mackay Sugar does not on-lend money in relation to property related activities.</p>

#### Benchmark 4: Table of interest bearing debt maturity – as at 30 June 2018

Term		7 Day Call		6 months		12 months		24 months		36 months		60 months		Total	
Qtr	Year	\$Amount	%p.a.	\$Amount	%p.a.	\$Amount	%p.a.	\$Amount	%p.a.	\$Amount	%p.a.	\$Amount	%p.a.	\$Amount	%p.a.
Q3	2018	4,310,056	2.44	876,280	4.25	24,597,866	4.63	15,000	5.25	-	-	303,756	7.00	30,102,958	4.33
Q4	2018	-	-	141,203	4.25	545,618	5.00	31,195	5.25	-	-	188,400	7.00	906,417	5.31
Q1	2019	-	-	-	-	100,052,181	4.45	3,269	5.25	-	-	1,159,598	7.00	101,215,048	4.48
Q2	2019	-	-	-	-	50,622,675	7.72	-	-	-	-	-	-	50,622,675	7.72
Q3	2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q4	2019	-	-	-	-	-	-	-	-	-	-	120,000	7.00	120,000	7.00
Q1	2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q2	2020	-	-	-	-	-	-	-	-	-	-	10,000	6.25	10,000	6.25
Q3	2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q4	2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q1	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q2	2021	-	-	-	-	-	-	-	-	-	-	55,000	6.25	55,000	6.25
Total		4,310,056	2.44	1,017,483	4.25	175,818,341	5.42	49,464	5.25	-	.00	1,836,754	6.97	183,032,098	5.36

## **4 Withdrawal of Applications**

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### **4.1 Limits on right to withdraw**

- (a) Each Entitled Applicant is being offered a right to withdraw their Application and be repaid any Application Monies paid to the Company by it.
- (b) Entitled Applicants may withdraw their Applications in whole (and not in part).
- (c) Entitled Applicants should be aware:
  - (i) they only have one month from the date of this Supplementary Prospectus (i.e. until 12 August 2018) to withdraw their Application; and
  - (ii) submission of a Withdrawal Notice is irrevocable.

### **4.2 If you do not wish to withdraw**

If you do not wish to withdraw your Application, you do not need to take any action.

### **4.3 If you wish to withdraw**

If you are an Entitled Applicant and want to exercise your right to withdraw your Application and be repaid any Application Monies which you have paid to the Company, you will need to request a Withdrawal Notice by calling the Company Secretary of the Company on 07 4953 8200. The Withdrawal Notice must be received by the Company at the following address:

Racecourse Mill  
26277 Peak Downs Highway  
Racecourse via Mackay  
MACKAY QLD 4740

## **5 Authorisation**

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This Supplementary Prospectus is issued by Mackay Sugar. In accordance with section 720 of the *Corporations Act 2001* (Cth), each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.



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**Mark Day**  
Executive Chairman and CEO  
Mackay Sugar Limited

## 6 Glossary

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<b>Term</b>	<b>Meaning</b>
<b>Application</b>	An application made by an Entitled Applicant for Unsecured Notes under the Offer
<b>Application Form</b>	An application form submitted by an Entitled Applicant under the Offer
<b>Application Monies</b>	Monies received from Entitled Applicants under the Offer
<b>Board</b>	Has the meaning given in the Prospectus
<b>Budget</b>	Means the forecasted annual budget of the Company
<b>Company Update</b>	Means the company update in section 2 of this Supplementary Prospectus
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth)</i>
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>Eligible Investors</b>	Has the meaning given to it in the Prospectus
<b>Entitled Applicant</b>	Eligible Investors who validly applied for and were issued Unsecured Notes under the Offer after 28 June 2018 in accordance with the Prospectus or any other person who has applied for Unsecured Notes under the Offer but who has not yet been issued with such securities as at the date of this Supplementary Prospectus, in each case, who are entitled to withdraw their Application under this Supplementary Prospectus
<b>Offer</b>	Has the meaning given to it in the Prospectus
<b>Supplementary Prospectus</b>	This supplementary prospectus dated 12 July 2018
<b>Unsecured Notes</b>	Has the meaning given to it in the Prospectus
<b>Withdrawal Notice</b>	The relevant withdrawal notice which will be provided to you by the Company which Entitled Applicants may use to withdraw their Application
<b>YEM19</b>	has the meaning given in section 1 of this Supplementary Prospectus