Supplementary prospectus

Mackay Sugar Limited ACN 057 463 671

Important information

This supplementary prospectus (**Supplementary Prospectus**) is dated 18 December 2017 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**) dated 5 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**) on18 December 2017. 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

The Prospectus and the Supplementary Prospectus are important and should both be read in their entirety. Please consult you 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 Contents

Investment summary

(a) Section 1.4 on page 3 of the Prospectus is amended to include the following statement:

"No material changes to the Company's business have occurred since the 31 May 2017 balance date."

Key risks and dependencies

(b) The table in section 1.6 of the Prospectus is amended by replacing the comments made in respect of the 'Alternative financing' and 'Sugar Australia' key risks with the following comments:

Key risk	Comment
Alternative financing	In the event of maturity and redemption of all or a significant portion of the Selected Term Unsecured Notes, the 6, 12, 24 Month or 5 Year Unsecured Notes, and the Corporate Bonds, and upon redemption of all the 7 Day Call Unsecured Notes, Mackay Sugar would need to arrange for alternative financing to meet its repayment obligations. The Company has seen an increase in withdrawal of USNs over

Key risk	Comment
	the last 12 months and with the Corporate Facilities currently due in March 2018 and the Corporate Bonds currently due in April 2018 this increases the risk if a significant portion of the USNs become due for payment within that period. There are no guarantees that the Company will be able to raise additional debt or equity funding, or that such funding will be available on suitable terms. Inability to raise additional debt or equity would negatively impact the Company's operations and in particular its ability to refinance the Corporate Facilities due in March 2018 and the Corporate Bonds due in April 2018. Should the Company fail to secure alternative financing, the Company may be unable to repay the face value of the Unsecured Notes on the Maturity Date and may be at risk of default.
Sugar Australia	Mackay Sugar has a 25% interest in Sugar Australia and this investment represents risk to Mackay Sugar including the risk of low profit from refinery operations and high joint venture cash calls as set out in section 6.2 (Refining investments) impacting on Mackay Sugar's cash flow. In the financial year ended 31 May 2017 the Company recorded an impairment to the Sugar Australia investment of $34.6m. The forecast operating cashflow of the Company has not materially changed from its budget and is still expected to meet all expected joint venture cash calls for the year. However, any significant impact on Mackay Sugar's cashflow may impact on its ability to repay the face value of the Unsecured Notes on the Maturity Date.

(c) The table in section 1.6 of the Prospectus is supplemented with the following additional key risks:

Key risk	Comment
Interest bearing debt maturity profile	In the event that the Corporate Facilities of $105.0 million and the Corporate Bond of $50 million are not extended beyond their current due dates of 2 March 2018 and 5 April 2018 respectively, it is unlikely that the Company will be able to repay these facilities by the current maturity date. If this were to occur Noteholders may not receive the return of the face value of the Unsecured Notes. The Company has commenced a formal process seeking an extension to the maturity date of the Corporate Facilities to March 2019 and the Corporate Bond to April 2019. However, there is no certainty that such extension will be approved by Mackay Sugar's senior lenders and bond holders. The Company has offered holders of the Corporate Bonds a consent fee of 0.50% of face value and a 0.50% step up in the interest rate payable on the Corporate Bonds to 7.75% p.a. from 5 April 2018 as an incentive to approve the extension to the maturity date. The approval requires 75% or more of the ($50m face value) aggregate principal amount outstanding to vote in favour of the resolution. If passed, the resolution is conditional on NAB and Rabo agreeing by 2 March 2018 to extend their existing facilities to 2 March 2019. NAB and Rabobank have provided in principle support to an extension of the Corporate Facilities subject to the Corporate Bond holder resolution being

Key risk	Comment
	passed. There is a risk that the Corporate Bond holder resolution will not be passed and that the maturity date of the Corporate Facilities will not be extended.
Subordination	The Unsecured Notes shall be subordinated to Finance Debt in accordance with the terms of the Trust Deed. 'Finance Debt' is defined as all amounts which Mackay Sugar may owe to a Finance Creditor under or in relation to a Finance Arrangement other than a Noteholder under the Trust Deed, whether those amounts comprise principal, interest or any other amount owing under a Finance Arrangement, and whether that amount is or becomes owing now or in the future by Mackay Sugar alone or together with one or more others or actually or contingently. 'Finance Arrangement' is defined as including all of the documents and agreements which together constitute any arrangement for the borrowing or raising of moneys secured against all or any material part of the property or rights of Mackay Sugar or its subsidiaries. In the event of a failure by Mackay Sugar to obtain an extension to the maturity date of the Corporate Facilities and Corporate Bond or some other form of adequate alternative financing, under an administration process or insolvency event the Unsecured Notes will be subordinated to Finance Debt and Noteholders may not receive the return of the face value of the Unsecured Notes.
Recapitalisation Plan	The Company has commenced the Recapitalisation Plan to raise additional capital whilst it continues to investigate other options to improve its milling performance and financial position, but at this stage there is no certainty that any transaction will proceed. The extensions to the Corporate Facilities and Corporate Bonds currently being sought are intended to provide the Company with sufficient time to implement its Recapitalisation Plan and provide the funds to repay or refinance these facilities. Should the Company be unable to secure an investor or buyer for the business, it is at continued risk of default under the Corporate Facilities, Corporate Bonds and Unsecured Notes, which could ultimately result in administration or liquidation of the Company.
2017 Financial Statements – Auditor's Opinion	In their report dated 1 September 2017, the Company's auditors drew attention to the significant deficiency in net current assets of $169 million, and the uncertainty of whether the Company would be able to continue as a going concern without the continued support of the Company's financiers. If the maturity date of the Corporate Facilities and Corporate Bonds are not extended beyond their current maturity dates, or the Company fails to successfully implement the Recapitalisation Plan, the Company may be required to release assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial accounts. If the Company were to cease as a going concern then it may not be able to repay the face value of the Unsecured Notes.

Financial information

(d) Section 5.1 on page 30 (Historical Results) of the Prospectus is amended to include the following statement:

"No material changes to the Company's business have occurred since the 31 May 2017 balance date."

(e) Section 5.1 on page 33 of the Prospectus is amended to include the following statement:

"On 11 December 2017, at the request of the Company, BNY, as trustee for the Corporate Bonds, sent out a 'Notice of Circulating Resolution of Noteholders and Explanatory Memorandum' to holders of the Corporate Bonds, seeking approval to amend the conditions of the Corporate Bonds by extending the maturity date from 5 April 2018 to 5 April 2019. If successful, the resolution will be passed on 23 January 2018, but is conditional on Rabobank and NAB agreeing by 2 March 2018 to extend their existing facilities to 2 March 2019. The banks have provided in principle support for such extension, subject to the Corporate Bond resolution being passed.

(f) Section 5.3 (Recapitalisation Plan) on page 35 of the Prospectus is amended to include the following statement:

"Kidder Williams has presented the Company with various options under the Recapitalisation Plan, including the sale of standalone assets, recapitalisation by an equity investor or a sale of the whole business that will enable the business to continue as a going concern. The Company has considered such options and determined it will simultaneously pursue all such options in order to achieve the most efficient and beneficial outcome for the Company. The Company instructed Kidder Williams to initiate a formal process pursuing such options in November 2017. The Company has commenced discussions with several interested parties with the initial non-binding indicative bids expected to be lodged by mid December 2017. Thereafter potential investors will be invited to undertake more detailed due diligence with a view to finalising a binding bid. The final outcome of the process is unlikely to be known until the end of 2018."

Risk factors

(g) Section 6.2 on page 45 (Refining investments) of the Prospectus is amended to include the following statement:

"Under the Sugar Australia Joint Venture, the Company may be liable for cash calls, no more than weekly, to cover expenditure incurred for the purposes of the Joint Venture. The amount of the cash call is an amount agreed to by the Joint Venture participants and the manager, Sugar Australia, from time to time. Should the Company not pay the cash call, another participant in the Joint Venture may pay it and the Company must then repay that other Joint Venture participant the amount, with interest calculated daily and payable monthly. If the Company does not pay the cash call within 30 days of the due date and another Joint Venture participant does not pay it on their behalf, the Company automatically grants put and call options to the other Joint Venture participants which may, as applicable, require them to sell their interest in the Joint Venture or otherwise purchase the other participant's interests in the Joint Venture."

2 Authorisation

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.

Jeffrey Grech
Director
Mackay Sugar Limited