



29 May 2013

Notice to Growers and Shareholders

Re: Issues Raised at 2013 Pre-Crush Shed Meetings

Various issues were raised at our recent Pre-Crush Shed Meetings; including requests for further information on future marketing arrangements, share value, Mossman Mill operations, and bin deliveries. This document is intended to clarify these specific issues.

At this point in time, we have some major issues facing the industry, where a lot of value can either be created or lost. As I mentioned at the Shareholder Briefing Meeting (held in March) and as recent media reports suggest, QSL is under threat. Your Board and management are doing everything in their power to ensure this situation does not reduce value for Mackay Sugar shareholders.

Share value needs to be understood. Shares will only be traded when there is demand for them by eligible shareholders (other Mackay Sugar growers). Demand is driven by the capacity of the shares to provide a regular income flow and the ability to increase in value. This can only be achieved where there is a consistent underlying profit.

Mackay Sugar has taken positive steps to diversify its income streams to produce a consistent level of profit.

Mackay Sugar has three distinct income streams - milling, refining and cogeneration. The latter two are targeted to make a more consistent contribution to profit. However, the bulk of Mackay Sugar's assets are employed in the milling operations.

The milling profitability is driven by crop size and price, which are the same drivers determining the amount that growers are paid for their cane. When crop and price move negatively, this impacts the ability for the milling operations to produce a profit and create shareholder value. At the same time, these factors negatively affect the ability of eligible investors to buy shares. As a result, there is a reduction in the liquidity and value of Mackay Sugar shares.

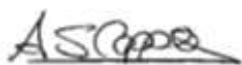
Some concern was raised regarding the maintenance spend at Mossman in preparation for the 1.3 million tonne crop in 2014. Based on projected figures, this level of maintenance expenditure is forecast to be recouped in the first year of operation with the following four years expected to return a profit to the Company.

For some time, the Board has been receiving complaints about the late delivery of bins. Management has been tasked with identifying the underlying causes of the problem and implementing a suitable solution. A key issue is that our bin fleet is not being used for the purpose for which they are designed - for the transport of cane from paddock to mill. The bulk of our fleet is filled from between 8am and 12pm and is then used for the storage of cane for the rest of the day. It is extremely uneconomic to meet everyone's expectations in this way and we need to spread the hours of harvest to provide a more efficient and reliable supply of bins. Reliability is central to efficiency for all. Our 2013 Bin Delivery Strategy will address previous complaints from growers and will also improve Mackay Sugar's efficiencies, which means growers will have more time for farming rather than waiting for bins.

A major underlying issue affecting growers and Mackay Sugar is crop yield. Growers have been putting in a lot of effort and resources into growing a crop but are not seeing the results. As an industry, we need to get to the bottom of this productivity issue. Based on past experience, from the effort put in, we should be producing at least another 15-20 tonnes per hectare, which would make a huge difference to the profitability of grower and miller. The Board and management are very aware of this productivity problem and we will be further discussing these concerns with MAPS who play a key role in helping to improve productivity.

As said earlier, we are facing some major issues in the industry, and if they are not addressed appropriately the profitability of our local industry could be significantly impacted for many years to come. We need to stand together and not be distracted by those whose actions may pose a threat to the value of the great majority shareholders in Mackay Sugar.

Directors and management representatives are happy to sit down, one on one, with shareholders and discuss these issues. I encourage you to contact Mackay Sugar Company Secretary Donna Rasmussen, on 4953 8241, to arrange a meeting. As a Company we need to pull together to ensure that both grower and miller are profitable, because we cannot thrive in this industry without each other.

A handwritten signature in black ink, appearing to read "ASCappello", written over a light blue horizontal line.

Andrew Cappello
Chairman