PRESS RELEASE

Green Light for Mackay Sugar Cogeneration Project

Mackay Sugar has today announced that contracts have been issued for the construction of a $120 million power plant at its Racecourse Mill. The power plant will have the capacity to generate one third of the Mackay region’s electricity requirements from bagasse (sugar cane fibre waste).

The project involves the replacement of traditional boilers, designed to incinerate bagasse, with a more efficient high pressure boiler and a new steam turbine generator, capable of generating 36 MW. Whilst providing power and steam for the Racecourse Mill and Refinery, it will also allow for the export of 27MW electricity into the national grid.

Chairman of Directors, Eddie Westcott said “this project is an important income diversification step for Mackay Sugar which will reduce the impact on the business of fluctuating raw sugar prices and enhance the profitability of the sugar industry in the region.

“The engineering aspects of this project have been at an advanced stage for a number of years; however it was only with the passing of the Federal Government’s Renewable Energy Target legislation in August 2009 that we were able to secure an off-take agreement with an energy retailer in Queensland that provided the necessary financial returns.”

The Project is to be financed by funds generated by the business, a $9m funding agreement with the Queensland Office of Clean Energy and the balance through debt.

“With over 92% of our Shareholders voting in favour of the project in December, we were able to finalise the construction contracts and power purchase agreement, and then secure approval from the Credit Committees of Rabobank and National Australia Bank”, said Mr Westcott.

The main power plant will be constructed under a turnkey contract with AE&E Australia, with the ancillary work performed under seven separate contracts with specialised contractors. During the construction phase some 450 people will be engaged on the project, a significant proportion of whom will come from the Mackay region.

The plant is scheduled for commissioning at the end of 2012.

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