



2 April 2014

## COMPANY UPDATE

### 2014 Crushing Season Preparations

At this point in time we are budgeting on a Mackay crop estimate of 5.3 million tonnes. Grower estimate packs have been mailed out to growers in the last week and a satellite image has also been ordered. With favourable weather conditions we are hopeful an image is captured prior to the end of April. Steam trials are scheduled to be undertaken from the third week in May, with a staggered start to the Mackay season anticipated for early June. We will be engaging with the Bargaining Agents to finalise arrangements.

The maintenance program across our Mackay mills is progressing well, however slightly behind the targeted attainment due to additional work identified through the inspection programs, which were undertaken early this year. Additional resources have been put in place, where necessary, to ensure the maintenance program is completed in early June.

The replacement of Farleigh's main Process Cooling Tower is currently ahead of schedule and will be completed prior to the start of crushing. Repairs to No4 Boiler economiser unit and the replacement of the first two rows of eroded tubes are well advanced and will be completed by 19 May. Arrangements have also been made to chemical clean No1 and No3 Boilers at Marian and No4 Boiler at Farleigh to remove deposited scale and eliminate the risk of further tube failures which occurred to the No1 Boiler at Marian in the last week of the 2013 season.

Warranty work is currently being undertaken on the Cogeneration Boiler and Turbine as part of the scheduled Refinery shutdown. The cogeneration turbine has also been dismantled to refurbish the damaged turbine shaft which occurred during commissioning last year.

The Mossman coastal crop is currently estimated at 600,000 tonnes and the Tablelands crop is estimated at 700,000 tonnes. Mossman's maintenance and capital program is to schedule, with additional resources engaged to ensure the factory is ready for the planned 5 May start. The major boiler refurbishment program of work including the re-tube of the JTA boiler and replacement dust collector unit is scheduled for completion by 19 April to allow for the pre-season steam trials to be undertaken.

### STL Shares

The Company was recently relieved of its obligation to acquire the balance of Bundaberg Sugar's Sugar Terminals Limited (STL) shares, originally agreed to as part of our acquisition of 2.6 million shares last year, due to MSF Sugar acquiring the shares.

In September 2013, we acquired Bundaberg Sugar's 2.6 million STL shares at \$0.85 per share, with a commitment to acquire the remaining 12.7 million shares in four tranches within the next eight years. However, MSF subsequently offered to purchase the remaining shares, which we did not object to, with the acquisition of the shares completed on 21 March.

MSF's acquisition of the STL shares will not adversely impact our stake in STL. We currently hold more than 25% of the issued 'M' Class shares in STL. This shareholding position allows us to control certain decisions by STL members such as changes to the STL Constitution or a decision which requires a 75% vote by both 'M' Class and 'G' Class shares. Our investment in bulk sugar terminal assets delivers the Company greater security in accessing the sugar export market.

### Mackay Sugar Grower Gains Smartcane BMP Accreditation

I would like to congratulate Mackay grower Michael Deguara on his recent accreditation for the Smartcane BMP Soil Health and Nutrition module. Michael is the first Australian farmer to receive accreditation under the new best practices farm program. A Queensland government endorsed program, Smartcane BMP comprises seven modules that offer growers guidance on best practice farming and the various steps farmers can take to develop an environmentally sustainable farm that delivers productivity, profitability and stewardship.

To date, over 300 growers, accounting for more than 70,000 hectares, have signed up for the national program. I encourage all Mackay Sugar growers to consider the benefits the program might bring to their farming operations and our business.

**Retirement of Independent Director, Andrew Amer FAICD**

I would like to advise that Independent Director Andrew Amer will retire on 21 May after more than 10 years with the Company. Andrew's broad based management experience and understanding of corporate governance have been of significant assistance to the Company during his time on the Board. He has assisted the Company to realise a number of important strategic milestones including the construction of the Racecourse Cogeneration Plant and the acquisition of the Mossman Mill as well as supporting the capital raising of the Company and the strengthening and enhancement of the Company's commodity marketing capability. As a Councillor of the NSW Council of the Australian Institute of Company Directors and Member of the AICD Law Committee, Andrew assisted when the Company changed structure from a cooperative to an incorporated company in 2008. He contributed extensively to the regulatory compliance process for the Company's Unsecured Notes. Throughout his time Andrew maintained a strong focus in decision making on enhancing shareholder value and the importance of growers.

On behalf of the Mackay Sugar Board and Management I would like to thank Andrew for his contribution to the growth of Mackay Sugar.


**Shed Meeting**

Twelve shed meetings conducted on 12 and 13 March 2014 were attended by 331 growers. These shed meetings replaced the meeting usually held at the Mackay Entertainment Centre. Growers had the opportunity to ask questions of the Board and management on a broad range of topics, and this change in format was well received by growers. I would like to thank those growers who made their sheds available for the meetings.

**Shareholder/Grower Communications**

By 2015, we aim to have most of our corporate communications issued via email or available to shareholders/growers via the corporate and grower website. By shifting our communications to an electronic format, we will capture significant cost savings across the business and, more importantly, will communicate more efficiently. If you have not yet registered your email address with us, please do so as soon as possible. Please contact our Communications Manager Lorelei van Dalen on 4953 8543 to obtain the necessary form.

Should you have any queries relating to the above information, please contact Mackay Sugar Company Secretary Donna Rasmussen on 4953 8241.



**Andrew Cappello**  
**CHAIRMAN**