



14 March 2018

COMPANY UPDATE

CANE SUPPLY

The pre-season harvest management preparation program is ahead of schedule with mapping updates completed and estimate packs expected to be posted to growers before mid-March. We need each grower to check that the areas on the maps are correct and return them to us as soon as possible.

The initial desktop crop estimate is indicating a crop of 4.9 - 5.0M tonnes. As we have had below average rainfall through the second half of 2017 and then a dry January, we have lost some valuable growing time.

We will review the crop estimate after you return your maps and we see what the rainfall is like in the next two months.

Feedback from the harvest sector on Annexure B changes including the 8pm finish provisions continue to be received. The current review of spread of hours and possible revision of the train schedules is indicating that a combination of dedicated time-slot lines (both early start and late finish lines) and daily line loading limits for specific lines will be required to achieve targeted savings. We are considering a range of changes and alternatives. It is planned that the harvest groups that are likely to be affected by these changes will be contacted in the coming weeks to explain further details and to consult on the impacts of the changes and possible alternatives.

Maintenance attainment for cane supply assets is on track.

A logistics transition plan has been put in place to ensure that the new transport contractor is well prepared for the start of their new 5-year contracts with Mackay Sugar and all aspects are currently on track for the season start. The plan includes a backup for possible delays in procurement of some new fleet by using existing fleet that will be available for the start of crush.

MACKAY OPERATIONS

The maintenance season and plant inspections are well underway across the three Mackay sites with some of the inspection work contracted out at Farleigh Mill due to the skills and experience required.

Some growers have responded to the offer of work in the boilermaking and fitting areas where we are short of some 40 tradesmen. If any other growers would like some part time work the offer is still open.

Overall maintenance works are tracking slightly under target although the most critical work is still on track. Tenders have been awarded for plant rectification on critical works across the sites including:-

WDT Engineers Pty Ltd – replacement of the vapour body on No 8 Low Grade Pan extension module.

EDMS Australia – are undertaking several projects including:

- Ash clarifier structure remedial repairs
- Flash tank remedial repairs
- East C molasses tank repairs
- West C molasses tank demolition
- Outside liquor tank remedial repairs
- Pan receiver No 2 patching
- Inspection B molasses tank

Detailed planning for these works is underway with site works due to commence around the 5 March.

NQEA Engineers – detailed inspection and repairs to the No 1 bagasse conveyor as well as major repairs to two conveyors at Marian and one at Farleigh.

The cogeneration plant has run with minimal stops for bagasse bin maintenance. The switch in strategy to run Peak and Off-Peak (running on bagasse) is reducing water use for cogeneration and delivering a commercial benefit.

The challenge to attract and retain staff continues throughout the business, and alternative roster programs are being investigated by our HR Department.

MOSSMAN OPERATIONS

The factory maintenance program is on track with 40% of the scheduled works now completed. Full or partial overhauls on four milling units is well advanced with disassembly of each mill completed and No 1 mill reassembly now commenced. Around 56% of programmed critical plant inspections have been undertaken. As expected, findings from inspections are impacting the maintenance schedule but fortunately have been manageable to date.

Maintenance is being focussed on areas where we incurred stoppages last season and include:

- Changes to boiler controls and implementation of a boiler load smoothing strategy to reduce boiler trips and tube failures - 200 hours lost in 2017.
- Control system and instrumentation modifications on the milling train to reduce overloading and miscellaneous spurious trips - 50 hours lost in 2017.
- Modifications to the lubrication system on the bin tippler - 13 hours lost in 2017.

Cane railway maintenance has been progressing satisfactorily with little impact from wet weather to date.

Favourable weather conditions throughout February supported vigorous crop growth across much of the supply area. Grower estimate requests have been distributed and are steadily coming back in. Those that have been received to date support the optimistic view held for an improvement on the 2017 crop.

INCENTIVE SCHEMES

The Board has approved the schemes for the 2018 year as follows:

- Plant Loan Scheme for 2018 for new land as well as for land that will meet productivity improvement criteria, on the same basis as 2017, being a \$1,500/hectare three year interest free loan, capped at 100 hectare per applicant.
- Secure the Future for 2018, however on the condition that QCS is able to secure a four year forward price of at least \$400/tonne IPS.
- Lease Subsidy Scheme on the same basis as the scheme offered in 2017, being a three year subsidy of a maximum of 4% of gross proceeds. The Scheme would be mandated to a maximum subsidy exposure of \$180,000 per year.



M. Day
EXECUTIVE CHAIRMAN