



20 October 2017

NOTICE TO GROWERS AND SHAREHOLDERS

STATUS OF COGENERATION ASSET SALE AND COMMENCEMENT OF BALANCE SHEET RECAPITALISATION PROCESS

Following the 9 October 2017 notice, the Board and Kidder Williams have carefully evaluated each of the revised non-binding indicative offers ("Offers") for the cogeneration assets, taking into consideration amongst others;

- the long-term value implications for Mackay Sugar and its growers and shareholders;
- the impact on Mackay Sugar's debt facilities, security and future funding commitments;
- the Company's ability to meet the terms and conditions set forth by the bidders; and
- the potential operational impact on the mills including the ability to implement the mill improvement programs.

Overall, we received Offers with a range of structures from 100% acquisition to sale and leasebacks. While each offer had merit, we viewed the proposed ongoing financial commitments (particularly from sale and leaseback structures) to be unacceptable.

Accordingly, Kidder Williams has recommended and the Board has agreed to put the cogeneration asset sale on hold and seek other options to strengthen the balance sheet.

Consequently, the Board has instructed Kidder Williams to run a process to seek proposals to recapitalise the business. The Board and management will consider all options with a preference for a standalone recapitalisation by a cornerstone investor. The Board will keep shareholders and growers updated as information becomes available.

MOSSMAN UPDATE

Currently, the Board is advancing its discussions with the Mossman and Tableland growers.

A. S. Cappello
CHAIRMAN