



2 July 2018

Circular to Growers and Shareholders Update on progress of the Mackay Sugar Recapitalisation Plan

On 23 January 2018, the Noteholders approved, by way of Circulating Resolution, the extension of the term of the Notes for a period of 12 months, with the Notes now maturing on 5 April 2019.

The extension of the term of the Notes, and the other amendments set out in the Circulating Resolution, were subject to Mackay Sugar's secured banks agreeing, by no later than 5.00pm (Sydney time) on 2 March 2018, to extend the issuing bank facilities to 2 March 2019. The secured banks approved that extension.

As set out in clause 2.13 of the Explanatory Memorandum accompanying the Circulating Resolution, Mackay Sugar agreed to provide a formal Noteholder update on progress of the Mackay Sugar Recapitalisation Plan every two months, with the first update having been issued on 28 February 2018.

By way of further update, Mackay Sugar advises as follows:

Recapitalisation Plan

1. The Recapitalisation Plan is continuing to track behind the timetable set out in section 2.13 of the Explanatory Memorandum.
2. There has been a significant drop in the number of document requests to update the data room issued by the interested parties as part of their due diligence process.
3. Detailed responses to questions raised through the process by the interested parties have been provided and we understand those interested parties have largely completed their internal analysis and commercial, financial and legal due diligence.
4. Despite this progress, we are still not at a stage where the existing confidentiality agreements will allow us to disclose the names of the parties currently involved.
5. The interested parties have each previously made site visits to Mackay and Mossman with their respective advisers and have held discussions with the relevant industry parties and management.
6. It is possible some interested parties will require further site visits.
7. Following this and further analysis by the various parties, the Board expects the parties to finalise their decision as to whether they will make formal binding bids. During this time, there may be requests for exclusivity periods and the Board will consider this based upon the merit of the potential bidder.
8. Any bid will also be subject to receiving regulatory approval (ACCC and FIRB) where necessary.
9. In addition there are State Government duty considerations which are being addressed.
10. Whilst the bidding and due diligence process has been delayed, the Board's hope is that, subject to an acceptable bid being received, the process can still be completed by early 2019.

Mossman

11. The Company is also continuing with its separate process for the sale of Mossman mill as a stand-alone asset.
12. Any stand-alone sale of Mossman mill will only proceed if the directors are satisfied the sale is in the best interest of shareholders.
13. A heads of agreement has been signed and due diligence continues to be undertaken.
14. Mackay Sugar has signed confidentiality agreements, so we are not able to disclose the names of the parties currently involved.

2018 Season

1. The crop estimates for the 2018 season are 5.09 million tonnes for Mackay and 1.15 million tonnes for Mossman.
2. The 2018 crushing season has started reasonably well.
3. It is expected that there will be a significant surplus of raw sugar in the export market for the 2018 season and this will have a negative impact on sugar prices for both the miller and growers. This will continue to put pressure on Mackay Sugar's forecast for the 2018 season



Mark Day
EXECUTIVE CHAIRMAN AND CEO