The Maryborough Sugar Factory Limited

Annual General Meeting - 20 November 2008

Chairman's Address

Today, I welcome all shareholders to the 53rd Annual General Meeting of The Maryborough Sugar Factory Limited, which I will also refer to as MSF.

This is my first AGM as chairman of this company and I am honoured to be speaking to you in this role of a longstanding and proud Queensland company. It also happens to be the first time the AGM has been held outside of Maryborough, which we believe reflects the need to serve the broader and enlarged shareholding base of the company.

Firstly, I will comment on our results for the year to June 2008 and the issues impacting these results and our business. I will then outline our progress this year as we implement our growth strategy and conditions to date and then finally discuss the macro environment and markets in which we operate and the opportunities available.

The year to June 2008 was a challenging period. The smaller crop and lower sugar prices translated into much reduced revenues upon a cost base with increased expenses as we continued our development and growth initiatives and faced rising costs for essential inputs. The loss of $4.7 million after tax is disappointing but a reality, because the milling business is primarily driven by fixed cost recovery. The revenues required to achieve this cost recovery and produce a surplus are driven by cane volumes and sugar prices. The installed capacity and cost base at the Maryborough mill is capable of crushing 1 million tonnes of cane in a season and, if we can get the cane, a good surplus is produced as evidenced by previous volumes and results.

However, cane supply for the Maryborough Mill remains a serious concern with the returns of growing challenged by higher input costs eroding any real gains being seen by growers at current sugar prices. The frost and drought season of 2007 has had further negative consequences on the 2008 crop just finished, which was only 614,549 tonnes. On a positive note, the planting incentive program offered to growers, and a better sugar price outlook coupled with larger company planting, should see an improved crop size for the 2009 season. The area under cane now stands at 10,000 hectares. Management is working with various mechanisms to increase this area, such as land acquisition, leasing, contract growing and increased irrigation to increase the overall area and improve yields.

The current lack of dividends is a point not lost on your board, but it must be appreciated that in times of no profitability, dividends are simply not available.

This year has seen good progress made in the development of your company as we continue to pursue our strategic growth objectives to create and acquire revenues beyond the single mill enterprise, in turn reducing earnings volatility and finally producing a consistent stream of dividend payments into the future.

The execution of this strategy commenced with the raising and issuance of $40 million of new equity approved at an EGM in April, which included a number of new domestic and international institutional shareholders as well as support from existing shareholders.

Subsequently, we have progressively increased our strategic stake in Sugar Terminals Ltd, and it now totals an economic interest of 12.8% of that company.

STL is an NSX listed public company with a unique set of sugar industry infrastructure assets. Furthermore, and what is even more unusual for an infrastructure company, it has virtually no debt and pays useful dividends generated from operations.

We continue to work to unlock and recycle plantations and land owned by MSF into higher alternative value land and assets and in this process, seek to release funds for future expansion. We lodged a development application for the Mary Harbour project on our existing Granville plantation, which the CEO, Mike Barry, will further elaborate on in his presentation. This project is aimed at delivering a quality, community based, river and marina focussed accommodation option. We believe this will be an attractive and affordable product in the Fraser Coast market, one of Australia's fastest growing population regions.

In July, we completed our $60 million share and cash merger with the Mulgrave Central Mill of Gordonvale. This has extended our raw sugar interests for the first time beyond the Maryborough region and we are now strongly represented in the tropical and lower cost growing region of North Queensland. In this process, we welcome the former Mulgrave shareholders as new shareholders of MSF and also welcome two new directors, Jim Hesp and Brett Moller, who both stand for election at this meeting. We also have appointed Mulgrave's Wayne Massey to the role of CFO of MSF. Mulgrave Mill represents an excellent growth opportunity to increase cane volumes at the mill, to market sugar directly to customers in Asia and to participate in any regional consolidation. These objectives are consistent with our strategy to become a vertically integrated producer and create value for shareholders. Further to this, discussions continue with Tully Sugar Limited on the consolidation opportunity in the Wet Tropics.

Financially, on a pro-forma basis we currently have $28m in net debt and net assets of approximately $120 million. The credit and funding environment is difficult but open, and our businesses continue to function as normal in the food supply chains in which they operate.

Looking to next year, the International Sugar Organization is now forecasting the most constructive world sugar market outlook since 2005/06. There is an expectation for a raw sugar deficit of just under 4 Million tonnes for 2008/09 and we believe there is very good long term potential for sugar consumption growth and a very positive outlook for fuel ethanol worldwide.

The credit crunch has had detrimental effects on the Brazilian industry, impacting the expansion of production and the operating of existing crushing capacity. Current estimates now have 40 million tonnes of Brazilian cane left in the fields for this season, unable to be crushed as mills are starved of liquidity to operate.

Just putting that in perspective, the total Australian crush this 2008 season will approximate 32 million tonnes of cane, and MSF crushed 1.7 million tonnes this season. It would now appear a good deal of the expansion in Brazil has been debt funded, and the rapid growth phase is now likely to be followed by a natural phase of consolidation.

A weaker Australian dollar against the US dollar and Brazilian Real bodes well for our local sugar pricing in 2009 and 2010. On the input side, falling oil, steel and fertilizer prices will help to contain costs.

On the people front, I would like to extend thanks to Mike Barry and his executive team and to all employees for their efforts in the year past. It has been a challenging and demanding year coupled with the normal pains associated from time to time in a growing company. However, we believe our growth initiatives represent new opportunities for both the company and employees to create an attractive and rewarding work environment.

At the board level, I would like to acknowledge and thank the efforts and contribution made by the former chair Ian Sandford who retired in August of this year. I would also like to thank Robert Savage, who retired earlier this year, for his service and commitment to the development of this company. I welcome and introduce for election at this meeting Sue Palmer our new Audit committee chairperson; Sue joins us with extensive chartered accounting and company directorship experience. John Burman, who has extensive sugar industry experience in several capacities, also stands for re-election.

My thanks go to all directors for their input, application and commitment over the year, which has made for a productive and mostly enjoyable process. My personal thanks also goes to our company secretary and former CFO, Greg Clarey in this busy year; thank you Greg for your efforts and results.

On another note, thanks to Ray McDowall, the general manager of Mulgrave, who will be taking retirement in February 2009. Ray was instrumental in the establishment of the independent sugar export marketing operations at Mulgrave and did a great job in facilitation of our merger this year.

I would also like to acknowledge the support of our grower suppliers in the Maryborough and Mulgrave districts and encourage them to grow and send us more cane into the future.

In summary, we are now faced with a rapidly slowing global economy and very challenging credit markets, as this enormous process of financial de-leveraging unfolds. Fortunately, we produce staple food and energy products for which we believe the markets continue to look reasonable. We seek to finds ways to lower our costs of production, grow our volumes of production and manage our assets in a prudent financial manner. Agriculture is a long-term game, and we do believe our plans can create value for the benefit of our shareholders.

I wish to thank all shareholders for your continued support as we protect and grow your investment.

J.A. Jackson
Chairman