The Maryborough Sugar Factory Limited

Annual General Meeting - 19 November 2009

Chairman's Address

On behalf of the board, I welcome all shareholders to the 54th Annual General Meeting of The Maryborough Sugar Factory Limited.

Firstly, I will comment on our results and performance for the year to June 2009 and the issues impacting these results and our business. I will then comment, but only briefly, on our production for this season, the current conditions and outlook for 2010 as Mike Barry our CEO will be covering these matters in a more detailed presentation. Finally, I will discuss the development and implementation of our strategy, including our Tully Merger offer, and the markets and environment in which we operate, and the opportunities available.

The year to June 2009 included the successful integration of the Mulgrave Central Mill business, which boosted volumes and revenues, though these were somewhat offset by the lower crop at Maryborough. The overall milling business achieved a capacity utilisation rate of 68% which coupled with the inherent fixed operating costs in this business resulted in a financial loss after tax of $783,000 which is unacceptable. Lifting capacity utilisation means increasing the cane supply to our mills and this remains a key objective for our executive team.

Significant effort and progress is being made to reverse the effects of the 2007 frost season and loss of grower confidence at Maryborough to increase supply. Higher total expenses reflected some increased input costs on the operating side, and the cost of our growth initiatives, as we fund and expense plantation development, land development activities, merger costs and corporate development costs, beyond a normal "stay in business" scenario. Your board believes these investments, whilst at the expense of today's accounting profit, are creating significant future value for our shareholders.

The 2009 season, which was completed earlier this month, has seen higher realised sugar prices and total crop of 1.77 million tonnes, a capacity utilisation rate of 71% in our mills and improved cane yields in company plantation. These factors, plus a special dividend from our shareholding in Sugar Terminals Ltd, have paved the way for a return to profitability and dividends as flagged in earlier profit guidance. Directors wish to confirm the range of Net Profit after Tax of $5.5m to $6.5m for the year to June 2010.

On the 30th October we lodged a full development application to the Fraser Coast Regional Council for our Mary Harbour project on our existing Granville plantation. We are passionate about this project and remain convinced of the multiple positive outcomes for all members and stakeholders of this community and our company.

Looking to the 2010 season, total area under cane has increased by approximately 1,000 hectares, primarily in the Maryborough region, and over half of this on company plantations. Assuming normal rainfall and weather conditions, we expect a larger overall crop for the 2010 season, translating into increasing milling capacity utilisation. This coupled with our existing hedged position over 65% of projected production priced at $436 a tonne IPS, should produce an increased contribution from growing and milling.

Our strategy is to create a vertically integrated raw low cost sugar producer; we believe the alignment of actions and behaviours along the supply chain produces economic benefits for all stakeholders and our shareholders. We seek to grow organically by increasing the volumes in our existing operations and by merger or acquisition.

The Australian sugar industry is very fragmented in the growing sector and to a lesser extent in the milling sector. The deregulation of the Queensland sugar arrangements has afforded us the opportunity of consolidation. Our value proposition is simple: by consolidating the ownership and operation of a series of individual assets we significantly mitigate the inherent risks of a single region, with its single assets and operations, and create greater earnings certainty and funding capability for further growth. This in turn presents opportunities for our grower suppliers, our employees and our customers and value creation for our shareholders. We as a board have invested in this strategy, and the current structure and overhead of MSF as a corporate entity has the forward capacity to operate an enterprise near three times its current size.

However, what we remember as directors that companies primarily comprise of people, not just a set of assets, plant and equipment. It is these people who are responsible for the planting, growing, harvesting, milling, selling, pricing and shipping our sugar. Any company is only as good as the people who make it all happen also known as the human capital. The development of a corporate culture to take it beyond an insulated and long regulated, primarily regional industry is an interesting and evolving process.

We are encouraged by the outstanding factory performance and sugar recoveries at Mulgrave, the safety record at Maryborough, the implementation of innovative planting incentives and lease programs to boost cane supply, and the skills and experience being developed in sugar price hedging. Our customers value our integrated supply chain and we continue to work closely to bring economic benefits to these relationships. All of these factors and the further improvement in many areas will help build our capabilities to capture and harvest these value-creating opportunities and along with it develop our culture. Our remuneration practice of granting share options and performance rights seeks to reward based on performance, hence aligning the actions of management with the interests of shareholders.

We continue to progress our Tully merger and will be writing to all Tully shareholders to highlight the inadequacies of the Target Statement and rejection from the Tully Board. Interestingly, they have chosen not to discuss valuation in the Target Statement, which in our view confirms that our proposition for Tully is commercial. MSF believes the strategic rationale for merging with Tully is compelling and MSF is committed to seeking consolidation in the wet tropics. This proposal provides an opportunity for Tully shareholders to meet their objective of obtaining a listing for their presently unlisted shares and to participate in the larger growth opportunities that would be available to the merged group.

The International Sugar Organization is now forecasting a second consecutive year of consumption exceeding production, albeit consumption growth rates are now slowing as expected. The deficit will continue to run down stock levels and the short-term supply remains tight, but a small global surplus is looming in the matter of 9 to 12 months. This view is premised on a return to normal crop cycles and production in both India and Brazil and is reflected in forward prices with the market still in backwardation. Price volatility continues at high levels as the contrasting views between the short and long-term views clash. The Australian dollar strength or US dollar weakness has dented our pricing, along with exporters generally, however we are comfortable with the quantities and prices achieved to date, protecting future profits.

On November 10th we completed a small equity capital raising of 6.5m new shares at $2.00 per share and announced a Share Purchase Plan (SPP) to allow existing shareholders to each purchase up to $15,000 worth of new shares at $2.00. These together raise a minimum of $13m and a maximum of $18m for the funding of further growth opportunities. I wish to thank all shareholders for your continued support, encourage participation in the SPP and welcome new shareholders to the register.

I extend thanks from all directors to our CEO, Mike Barry and his executive team and to all employees for their efforts in the year past. My personal thanks also go to our company secretary Greg Clarey for his efforts in another busy year.

Personally, I also thank all my fellow directors for your cumulative contributions and commitment over the year. I will soon introduce Ross Burney who stands for re-election at this meeting.

Finally, I wish to thank all our grower suppliers in Mulgrave and Maryborough for your cane and for the excellent relationships, which are enjoyed between the company and its suppliers. We encourage you to grow and send us more cane into the future. We also thank our many customers for their continuing business and support.

J.A. Jackson
Chairman