

INVESTOR TOUR of FNQ

23 NOVEMBER 2010



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Agenda

- **Business Overview**

- Major financial drivers
 - Cost of cane
 - Cost of Mill operation
 - Sugar Price
- NMJV
- Industry Basics
 - Sugar cane to raw sugar
- Future Potential
- Sugar Market



MSF Summary

- MSF is focused on the sugar industry
- Total number of shares issued is 53.5 million
- Current market capitalisation around \$173 million
- Major assets include
 - Maryborough Sugar Mill
 - Mulgrave Sugar Mill
 - Large farm land and water rights holder in the Maryborough Region
 - 2nd largest shareholder of Sugar Terminals Limited
- Will commence the Northern Milling Joint Venture 1st January 2011
 - Will increase the number of sugar mills by 3
 - Have the option to acquire Bundaberg Sugar's share of the Joint Venture for an additional \$50 million



MSF Board

- Independent board
- Broad range of complimentary skills
- Sugar industry expertise

**Independent
Chairman**



James Jackson

**Independent
Director**



Sue Palmer

**Independent
Director**



John Burman

**Independent
Director**



Jim Hesp

**Independent
Director**



Ross Burney

**Independent
Director**



Brett Moller



Management Team

**Chief Executive
Officer**



Mike Barry

**General
Manager -
Mulgrave**



Peter Flanders

**Chief Financial
Officer**



Wayne Massey

**Agriculture
Manager**



Trevor Crook

**Business
Development
Manager**



Hywel Cook

**Group Manager
Market Risk**



Glen Crimmins

**Company
Secretary**



Chris Lobb

**General
Manager Sales
and Marketing**



Brian Mahony

**General
Manager -
Maryborough**



Stewart Norton

**Property Asset
Manager**



Dennis Kaye

**MARYBOROUGH
SUGAR FACTORY LIMITED**

Business Overview

MSF's business model is focused on optimising its capabilities along the whole value chain

Growing

Milling

Logistics

Marketing

Business Overview

- Large sugar cane grower in the Maryborough Region
- Land portfolio is 5808 ha, 7650 ML water rights
- 212,761 tonnes of cane harvested from our plantations in 2009/10
- One sugar mill in Maryborough
- 50% owner of four sugar mills as part of the Northern Milling Joint Venture (commencing 1 Jan 2011)
- Produced 257,736 tonne IPS from 1,766,171 tonnes of cane in 2009/10
- STL is the Industry owned Storage and Handling company
- Have 6 storage and port facilities
- Major shareholder of STL shares – over 13% holding, second largest shareholder
- The only Australian Milling company which export markets their own raw sugar
- Supply raw sugar into the rapidly growing Asian market



THE MARYBOROUGH
SUGAR FACTORY LIMITED

Business Model Overview...continued

MSF's business model is focused on optimising its capabilities along the whole value chain



Strategic Benefits

- Understanding of growers cost of production (as we are a grower)
 - Ability to offer an alternative exit mechanism for aging farmers by taking over the operation of farms
-
- Key assets in the value chain due to high barrier to entry
 - Consolidating mills in the FNQ region
 - World class low cost milling operations
-
- Major shareholder of STL shares
 - Well placed for any change in STL operations
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- Direct relationships with refiners in East Asia
 - Direct insight in the market place to assist in price hedging decisions
 - Able to align growing/milling/storage and logistics to maximise value from the marketplace
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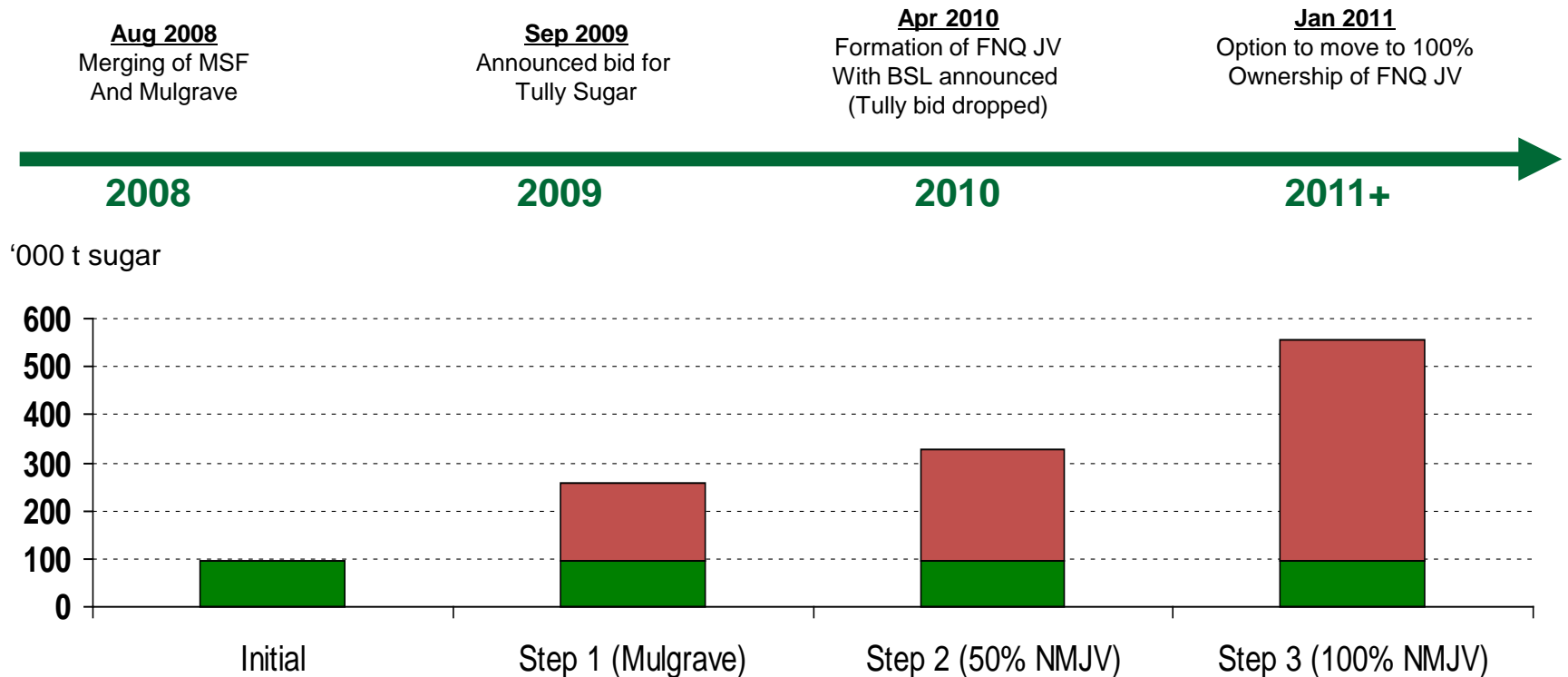
Recent Corporate Milestones

	2005	2010
Milling & Farming	<ul style="list-style-type: none"> ▪ Maryborough Mill ▪ Stable Farming operations 	<ul style="list-style-type: none"> ▪ Maryborough mill ▪ Larger Farming Operations ▪ FNQ Milling JV
Marketing	<ul style="list-style-type: none"> ▪ 100% of sugar sold via QSL ▪ Beginning to develop marketing and sales capabilities 	<ul style="list-style-type: none"> ▪ ~260kt of raw sugar volume ▪ Only independent marketer in Australia - Direct relationship with customers ▪ Exports to Japan, Korea, Malaysia, Indonesia
Non Core Assets	<ul style="list-style-type: none"> ▪ Owned less than 1% of STL ▪ \$21.5m Freehold land and buildings (including water allocations) 	<ul style="list-style-type: none"> ▪ Development Application made for rezoning of Mary Harbour land ▪ \$62m independent value of land (current use)



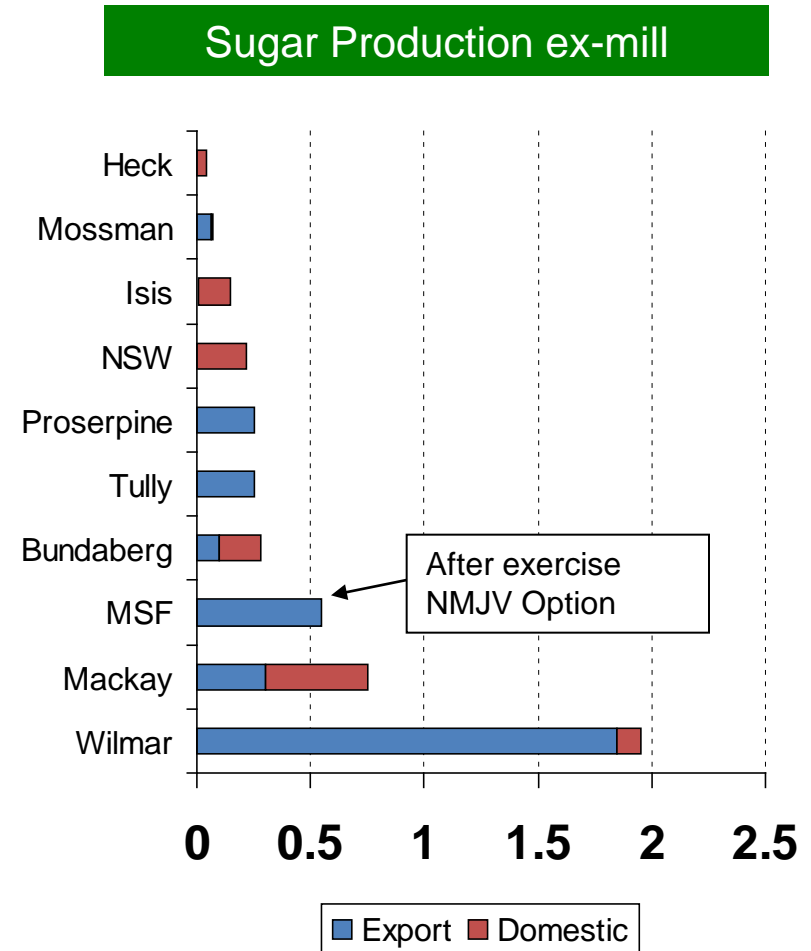
Consolidating the Australian Sugar Industry....

- MSF has been leading the recent consolidation of the Australian sugar industry



Raw Sugar Marketing

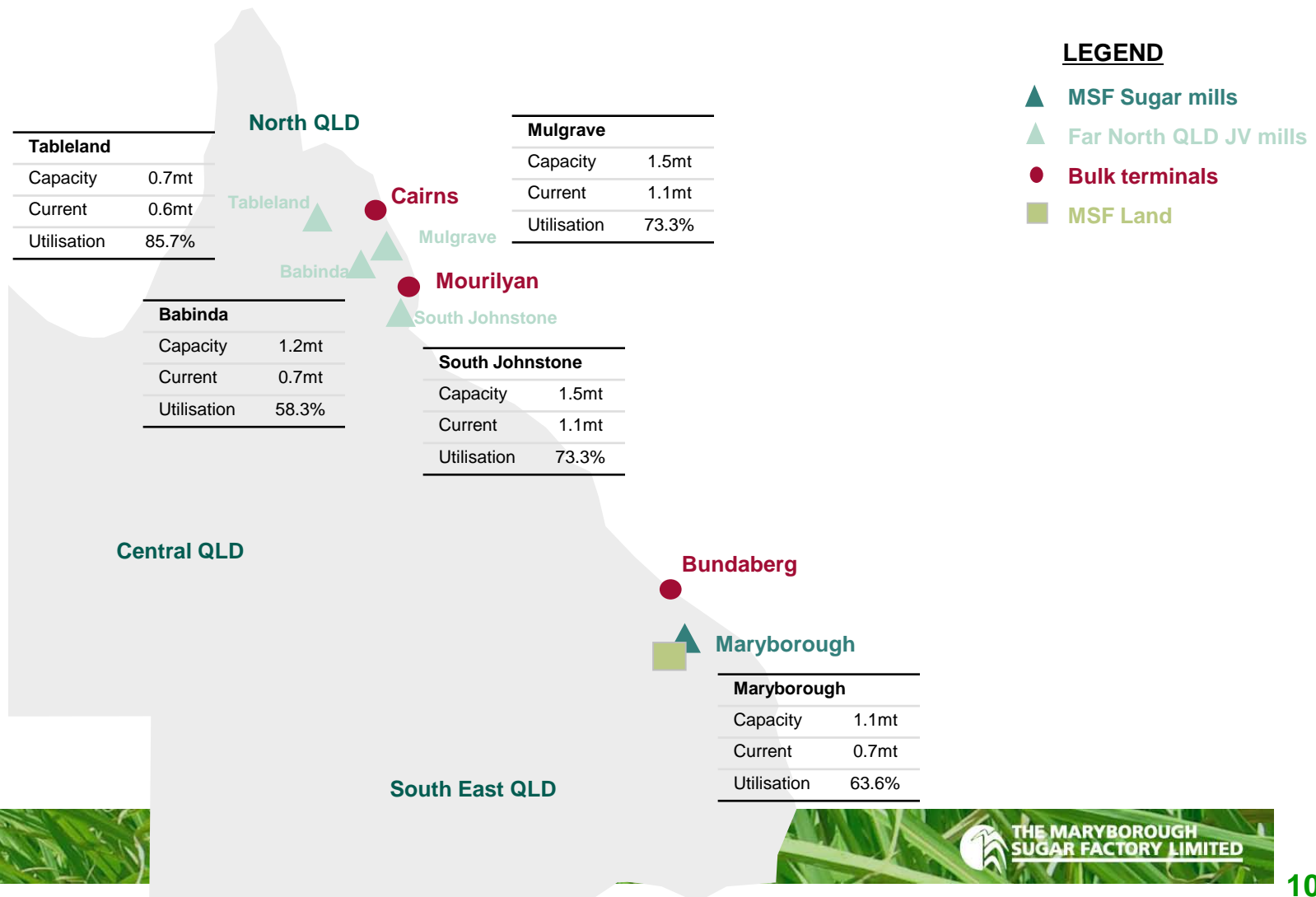
- Third largest producer and second largest exporter in Australia...after NMJV option exercised
- Only Australian sugar miller with direct export customer relationships
- In FY10, ceased sugar sales to Sugar Australia. Focus on the expanding Asian market
- 6% of East Asian trade of raw sugar if NMJV exercised



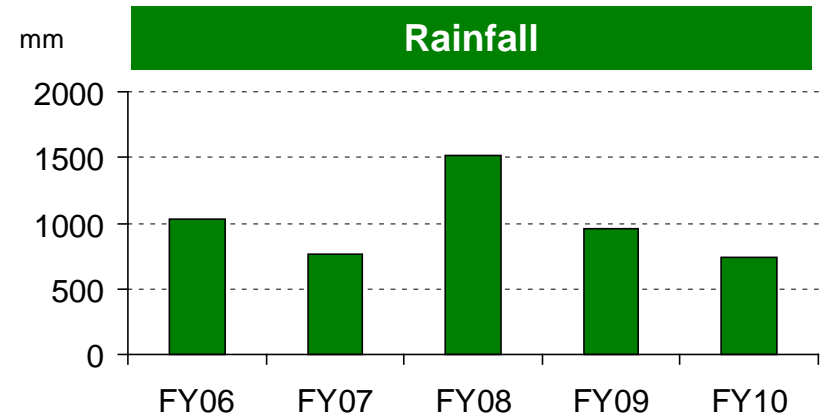
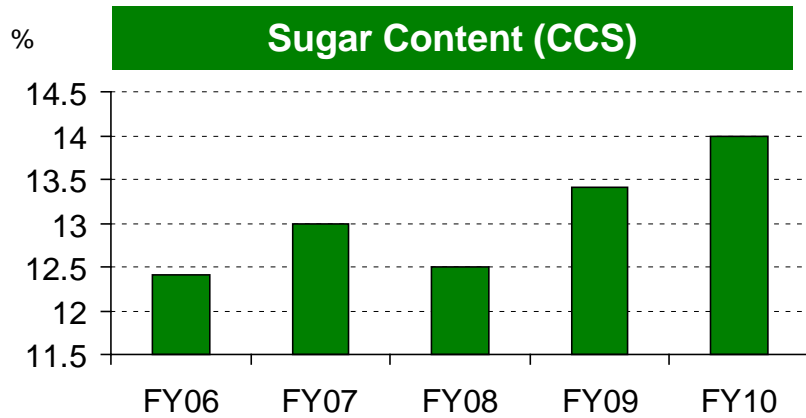
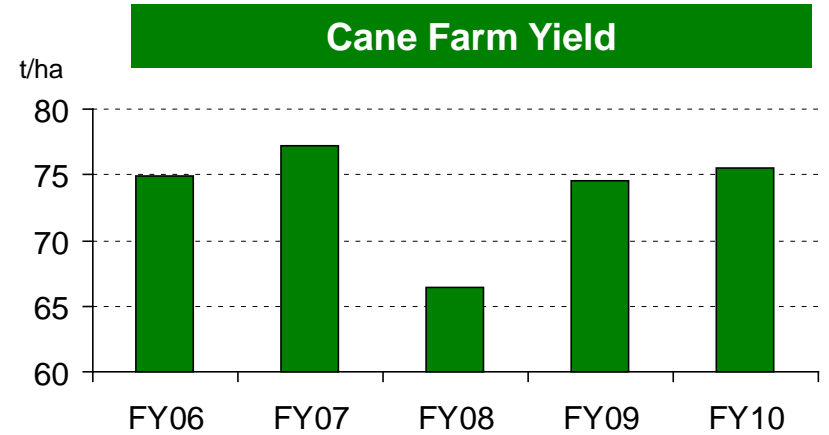
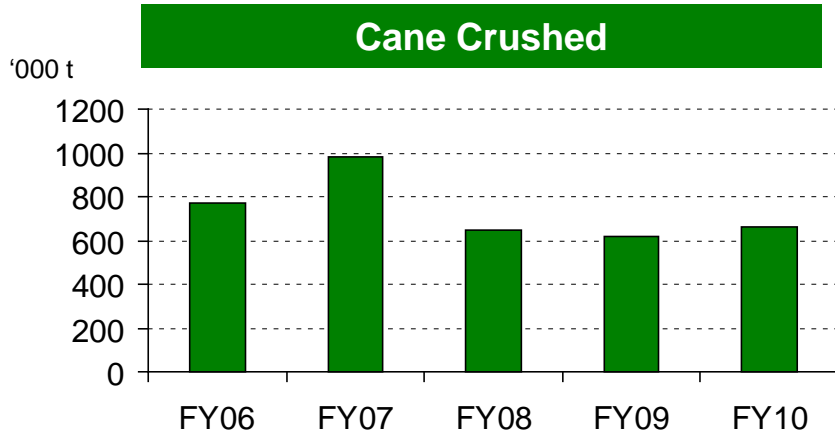
Source: MSF management



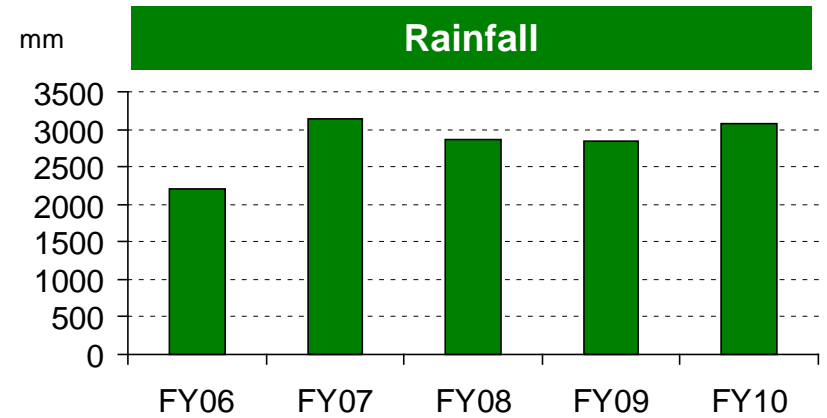
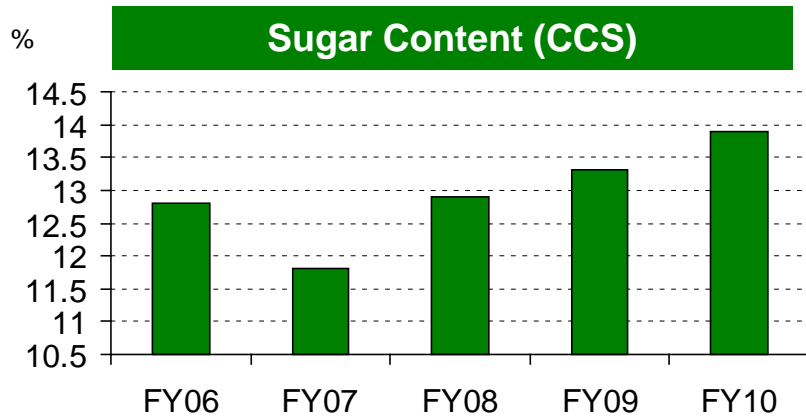
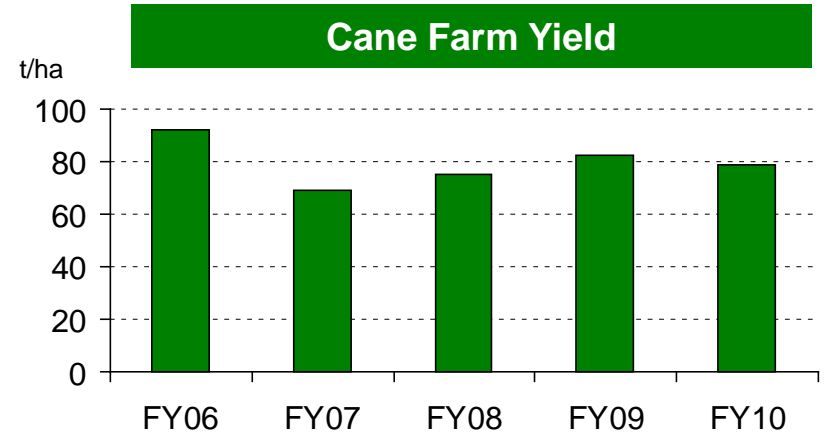
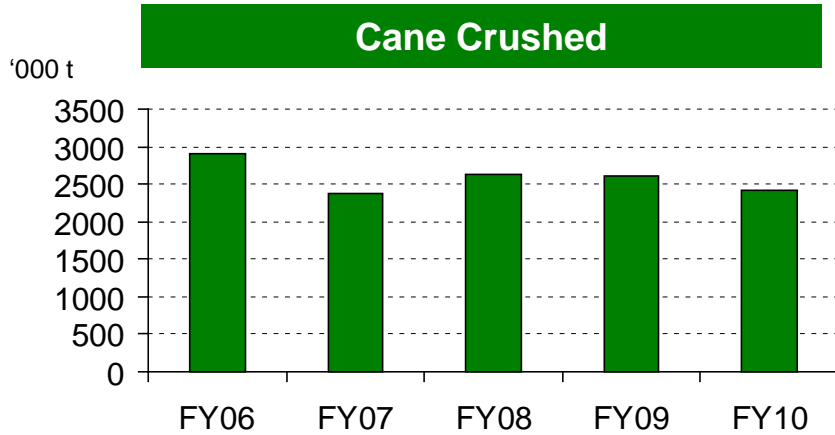
Overview of Milling Operations



Key Statistics – Maryborough Mill

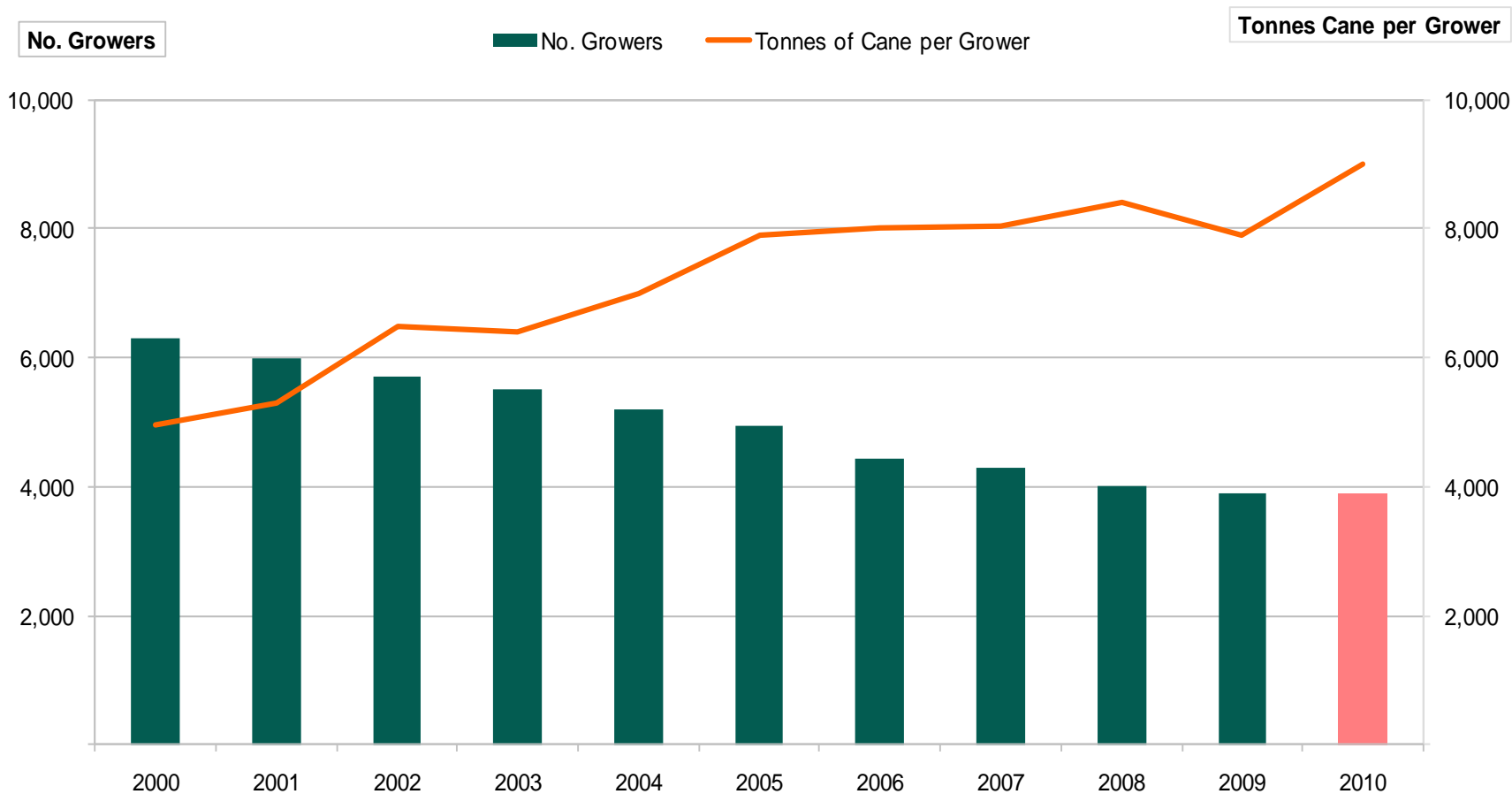


Key Statistics – FNQ JV



Cane Farming Overview in Queensland

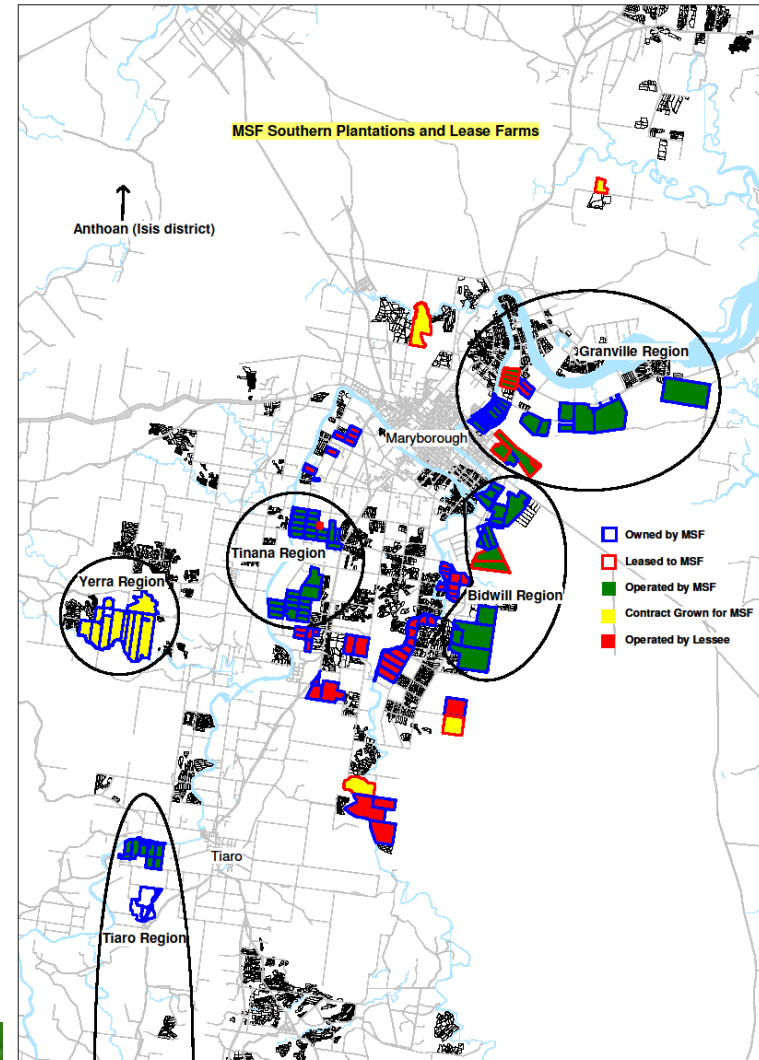
Total Queensland Industry Cane Farm Consolidation (2000-2010)



Source: Canegrowers

MSF Maryborough Region Company Farming Operations

- 5487 ha of land, irrigation infrastructure, plant and equipment
- 3,125 ha is currently suitable to grow sugar cane – harvest around 200,000 tonnes of cane
- Five farming regions
 - Granville
 - Bidwill
 - Tinana
 - Tiaro
 - Yerra
- MSF own some land which is farmed by other parties, MSF lease some land within the farming regions
- 7,504 ML of medium priority water allocation – extremely reliable



Land Portfolio...focused on unlocking value



- The MSF cane land and farm plant and equipment book value is \$61.5 million
- Valued at current use
- Assessing opportunities to unlock the value of the land without impacting on cane supply to Maryborough Mill
- Large strategic land holdings which have access to a very reliable irrigation scheme
- Located in the SE Qld growth region

Land Portfolio...Mary Harbour development



- The Mary Harbour residential project is a 174 ha site adjacent to Maryborough
- A final submission will be made to the State Government, prior to 24 December 2010, seeking to have the land included in Maryborough's urban footprint under the Wide Bay Burnett Regional Plan
- The Granville area, including the site, has been identified as a future Urban Growth Area for Maryborough in the Draft Wide Bay Burnett Regional Plan (released in October 2010)

MSF activity in Sugar Terminal Limited

- Share structure is divided between G-class shares and M-class shares
- Must be a miller to hold M-class shares and a grower to hold G-class shares
- MSF is the second largest holder of shares in STL
 - Largest holder is Sucrogen (mainly M-class shares)
 - Third largest holder is QSL (only G-class shares)
- To change company constitution must get >75% agreement from both M-class and G-class shareholders

Updated MSF STL share holdings

	Number of Shares	Relative shareholding
G Class	34,663,001	15.11%
M Class	13,346,076	10.21%
Total	48,009,077	13.34%

As at 1 September 2010



STL Agreements...STL sub-lease all the terminals to QSL

- Current agreement between MSF and QSL expires 30 June 2011
- Agreement re-negotiated yearly
- No prescribed maximum storage limit for MSF sugar, but required to advise on intended delivery and despatch
- MSF retains title to all sugar stored at terminals

QSL – STL Lease Agreement

- STL lease with QSL extends until 31st Dec 2014, with 5 year option
- Lease is for \$42 million per annum
- Covers all Bulk Sugar Terminals (including Cairns and Bundaberg)
- Individual terminal termination rights if QSL's percentage falls below 30% of a terminal's throughput



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Financial Drivers for our Business...our milling business

- Cost of sugar cane
 - Discussed in next few slides
- Cost of Mill operation
 - Throughput impact
 - Millers costs include cane logistics, milling and transport of raw sugar to the port
- Sugar Price
 - MSF undertake their own price hedging activities
 - We are in control of our own raw sugar marketing (dissimilar to the rest of the Qld sugar industry which uses an ex-Qld Gov't statutory marketing company)



Price determination of sugar cane

- Price of cane is determined by:
 - Final raw sugar price
 - Sucrose content of the cane (CCS)
- Growers and MSF share the risk on the revenue
- Cane Price Formula
 - $P_{\text{cane}} = P_{\text{sugar}} * (\text{CCS} - 4) * 0.009 + \text{constant}$
 - At a P_{sugar} of \$450 per tonne and a CCS of 13.5 the P_{cane} is about \$39 per tonne
- The grower is able to determine the P_{sugar} by undertaking their own sugar price hedging
- MSF hold the hedged position on behalf of the grower
- The grower hedging is allocated against an actual physical sale undertaken by MSF
- MSF tell the grower the quantity and the ICE No11 futures contract to hedge against
- MSF does not have any financial exposure to grower hedging decisions as it is linked directly back to the price paid for cane



Millers operating costs...

Costs impacted by:

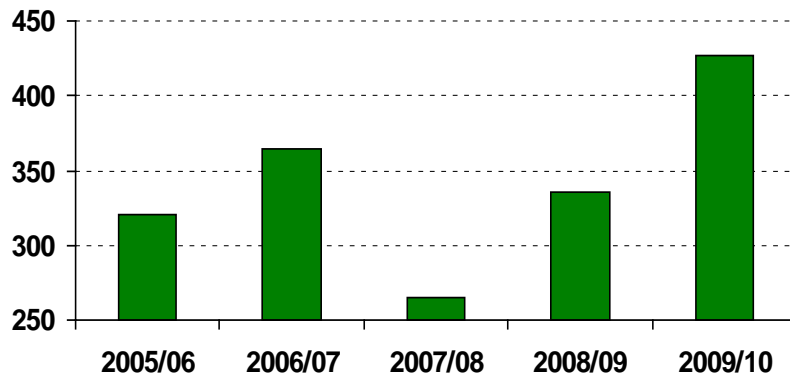
- Wet weather
 - unable to operate mill as unable to harvest cane in the fields
 - 2010/11 will be a slightly higher cost season as lost more than 1 month due to wet weather
- Total volume of cane harvested
 - profitability of a single mill higher as gets closer to full utilisation
 - mills are a very high fixed cost operation
- Season length
 - mills want season length as long as possible to get higher equipment utilisation
 - growers want short season length as they get high sugar content in the cane
 - Compromise season length agreed is around 22 weeks
- Close focus on maintenance and operating costs

BIGGEST IMPACT ON MILL PROFIT IS MILL UTILISATION AND SUGAR PRICE



Sugar Marketing and Pricing...control of our own destiny

Sugar Price Achieved (actual)



Sugar Price per Tonne (actual)

Season	Percent Priced	Price Achieved	Current Market Prices
2010	95%	\$477	\$607
2011	69%	\$445	\$470
2012	24%	\$462	\$416

- Forward hedging of raw sugar prices have been possible at prices comfortably above MSF cost of production
- Only Australian producer which is in total control of their revenue
 - Total management of raw sugar hedging – direct relationships with banks for hedging lines
 - Direct marketing relationships with East Asian customers
 - Able to quickly adjust marketing plan to take advantage of sugar market dynamics – e.g. producing raw sugar for Japan at Maryborough Mill for the first time when J-spec FOB premiums spiked
- Self reliant organisation in pricing, physical marketing and logistics



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Strategic endeavours in 2010/11...Update on the Northern Milling Joint Venture

The Northern Milling Joint Venture will include the following assets:

- Mulgrave Mill
- Tableland Mill
- Babinda Mill
- South Johnstone Mill
- Mourilyan Mill site

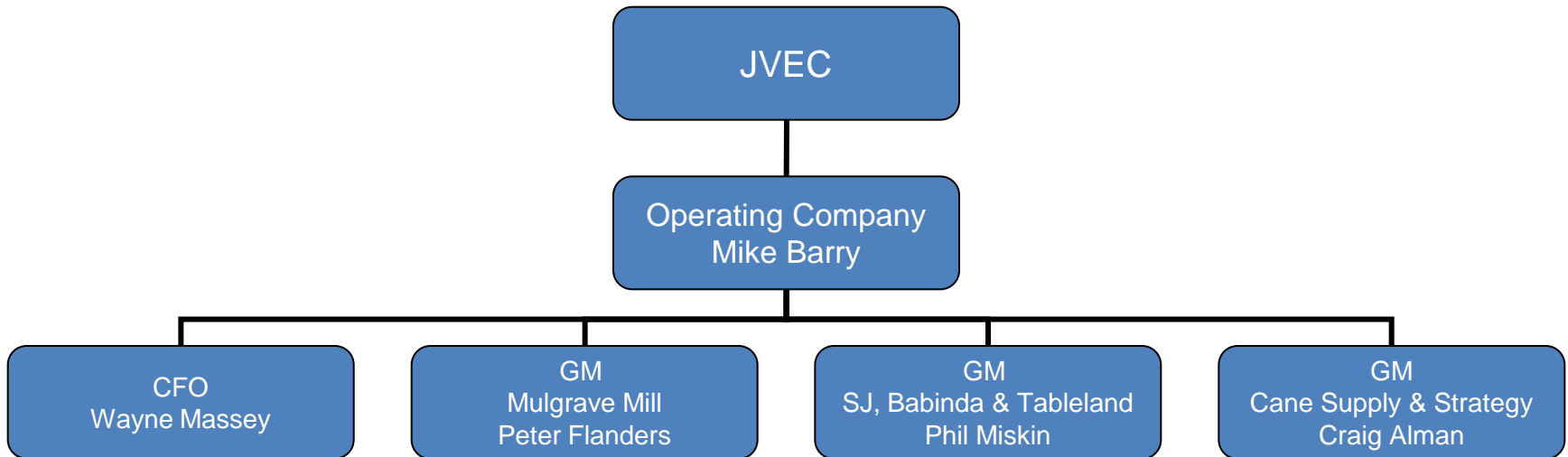
MSF have the option to acquire BSL's share of the NMJV for an additional \$50 million

The NMJV will commence 1st January 2011

- Has been delayed due to the wet harvest delaying the 2010 season harvest finish dates
- Planning for the 2011 Season is well under way
- Joint BSL and MSF teams have been working since August 2010 to allow a smooth transition post 1st January 2011



The NMJV will be managed....



- Each Sugar Mill will be operated as a stand alone business unit
- Each business unit will have responsibility for cane supply, cane logistics, maintenance and factory operation
- Key strategy function for the whole business focused on increasing cane supply, improvement of cane logistics and fulfilling Tableland Mill potential

2011 Season Operations...detail being finalised

Planning is well underway on how the mills will operate for the 2011 season

Final decisions have not been made but the major drivers are:

- Creating value for MSF shareholders
- Providing a reliable logistics and milling units for our cane suppliers
- Supply consistent high quality raw sugar to our customers

Decisions will occur for new capital expenditure at the mills in the next month

- Work has finished to allow cane to be transferred between Babinda and Mulgrave Mill areas

Information sessions will be held with cane suppliers post the commencement of the Joint Venture

- Focus of the JV is to create improved milling performance for our cane suppliers
- The JV is focused on maintaining crushing season length

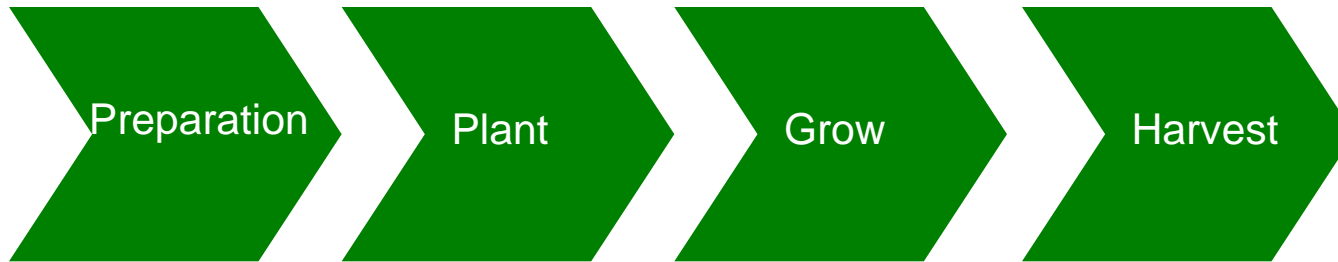


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- **Industry Basics**
 - Sugar cane to raw sugar
- Future Potential
 - Organic growth
 - Consolidation
 - Co-gen and biofuel
- Sugar Market



The sugar growing process



- Preparation – the soil is cleared and ploughed ready for planting
- Plant – Pieces of sugar cane are placed in the soil to germinate, in either autumn or spring
- Grow – Water and fertiliser is applied as required for the crop to grow
- Harvest – The sugar cane is harvested by machine, between June and November. The crop is harvested once per year for up to 5 years



Sugar Industry Basics...Sugar Cane Growing

- Giant grass...needs water and sunlight to grow well
- Best grown in the tropical regions of the world
- Qld and CS Brazil are the two best locations to grow sugar cane
- In Australia it is grown in the sub-tropical and tropical regions on the coast belt
- It does not like frost
- Ideally likes between 2 and 3 metres of rainfall per year
- If less than 2 m then requires supplementary irrigation
- Grows very well if gets high levels of sunlight and the correct quantity of water
- Harvested once per year
- Get 4 or 5 crops before needed to be replanted
- Harvested over a 5 month period
- Is replanted using pieces of sugar cane – germinates from each ‘eye’
- The sugar cane mainly grows between December and May – this is the growing season
- In Australia, the sugar content of the cane varies between 10% and 16%
- The sugar content will vary during the harvest season but generally averages between 13 and 14%
- The highest sugar content is in the period September to October
- The yield of cane per hectare is between 65 and 120 t/ha – depends on climate, water and sunlight



Ripping the soil before planting



Preparing the bed for planting



Planting sugar cane



Ratooning cane with irrigator



Sugar Industry Basics...Sugar Cane Logistics

- The sugar cane is harvested by machine
- Hand harvested ceased in the late 60's early 70's
- The cane is promptly delivered to the sugar mill
- The time from cut to crush is less than 12 hours
- Important to crush the cane quickly as the sugar in the cane starts to deteriorate
- The sugar mill organises how much cane is harvested each day by coordinating a harvest schedule
- In Qld the sugar cane is either delivered to the mill by truck or railway
- The railway is owned and operated by the sugar mill



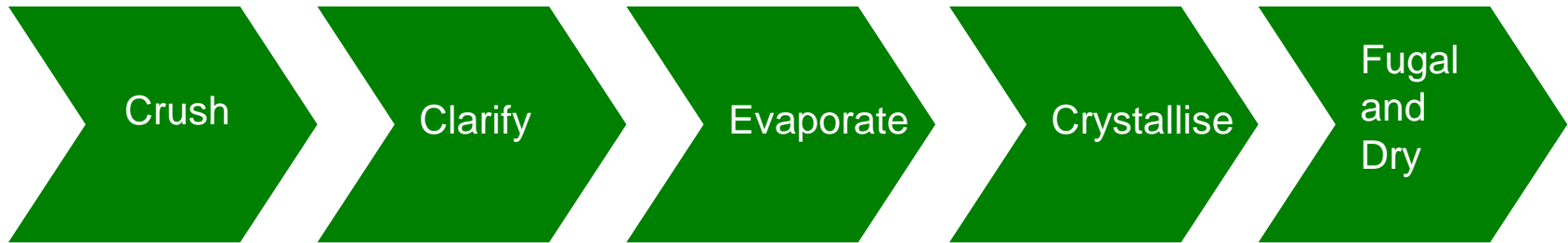
Placing harvested cane into bin to take to the sugar mill



Tipping the cane into the sugar mill



The sugar milling process



- Crush – The sugar juice is squeezed out of the sugar cane
- Clarify – The dirt is removed from the sugar juice
- Evaporate – Most of the water is removed from the sugar juice
- Crystallise – The raw sugar crystals are formed in the sugar juice
- Fugal and Dry – The sugar crystals are spun away from the molasses and dried to produce the final product



Mulgrave Mill



Mill control room



Sugar cane going into the mill



The sugar mills



Arcing a mill



Raw sugar being loaded in a truck

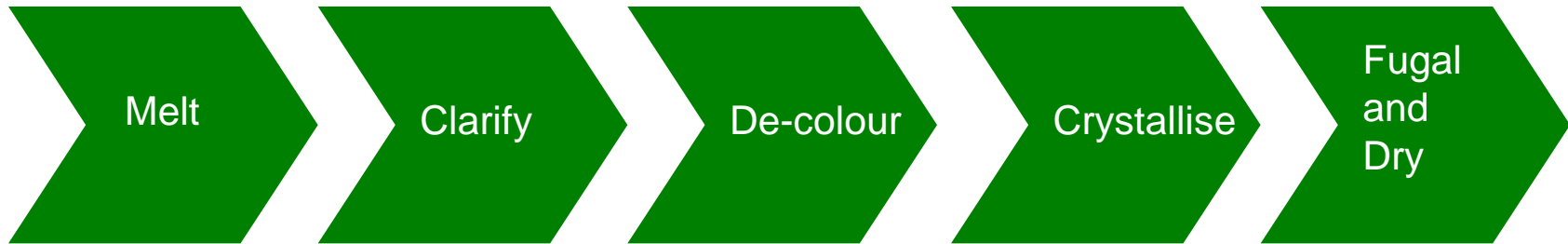


Sugar Industry Basics....The sugar mill

- The sugar mill operates 24 hours per day for 5 months of the year
- The sugar mill generates its own steam and electricity by burning the sugar cane waste (called bagasse)
- The sugar mill makes the following products for sale:
 - Raw sugar
 - Molasses
 - Electricity
- Raw sugar is:
 - about 99% sucrose
 - Could be eaten directly but is better for food manufacturers if it is further processed into refined sugar (100% sucrose)
- Molasses is:
 - The sugar liquor waste which could not be converted into raw sugar
 - Contains about 50% sugars
 - Can either be fermented into ethanol or sold as animal feed



The sugar refining process...our customer



- Melt – Dissolve the raw sugar in water
- Clarify – Any dirt is removed from the sugar liquor
- De-colour – Remove the colour from the sugar liquor
- Crystallise – The refined sugar crystals are formed in the sugar liquor
- Fugal and Dry – The sugar crystals are spun away from the molasses and dried to produce the final product



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Potential to increase cane supply to mills

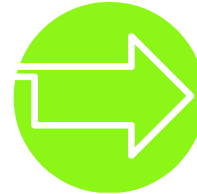
- Area available to increase cane supply to MSF mills by up to 1 million tonnes per year
- Will require active engagement with land holders to explain the opportunities/benefits



Sugar Cane Industry....many possibilities

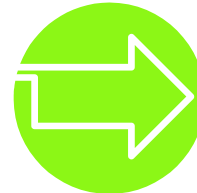


Sugar



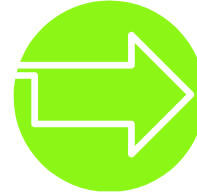
135,000 tonnes

Molasses



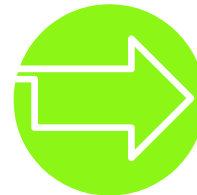
30,000 tonnes

Bio Fuels



**90 million litres
ethanol**

Electricity



100 GWh



Other products from a sugar mill

Electricity

- All sugar mills make electricity but mainly for their own use
- To maximise electricity production sugar mills need to be energy efficient
- In the past, mills were energy inefficient as the electricity not wanted by energy distributors
- An average mill could export up to 40 MW/h if energy efficient
- Current prices are not yet attractive to justify the capital cost to maximise electricity exports
 - Need to be nearly twice current black energy plus REC price to give >20% ROI
 - Expected to occur in the medium term

Ethanol

- Ethanol can be made from molasses or sugar juice
- 260 litre ethanol per tonne molasses
- 90 litre ethanol per tonne cane
- At current sugar prices ethanol is a very poor financial alternative for a sugar juice based distillery
- Need government support/intervention to be considered at current crude oil and raw sugar prices



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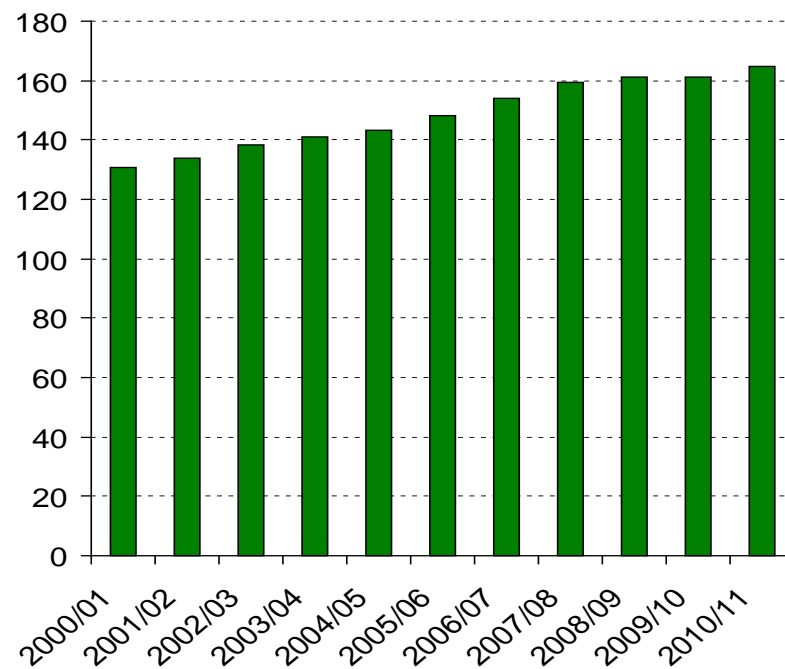


The world trade of sugar is concentrated into a few hands

- The price of raw sugar is mainly influenced by the view of production in Brazil and India – provides volatility and opportunity for MSF to hedge at higher prices
- India oscillates between being an importer and exporter

Country	Production	Exports	Imports
Brazil	41.275	28.340	
India	25.800	0.020	1.940
EU (27)	15.595	1.295	3.450
China	13.550	0.110	1.985
Thailand	7.525	4.690	
USA	7.450	0.150	2.440
Australia	4.850	3.625	0.010
Russia	4.410	0.180	2.085
Pakistan	3.500	0.110	1.045
Indonesia	2.890		2.645
World	170.167	52.000	52.000

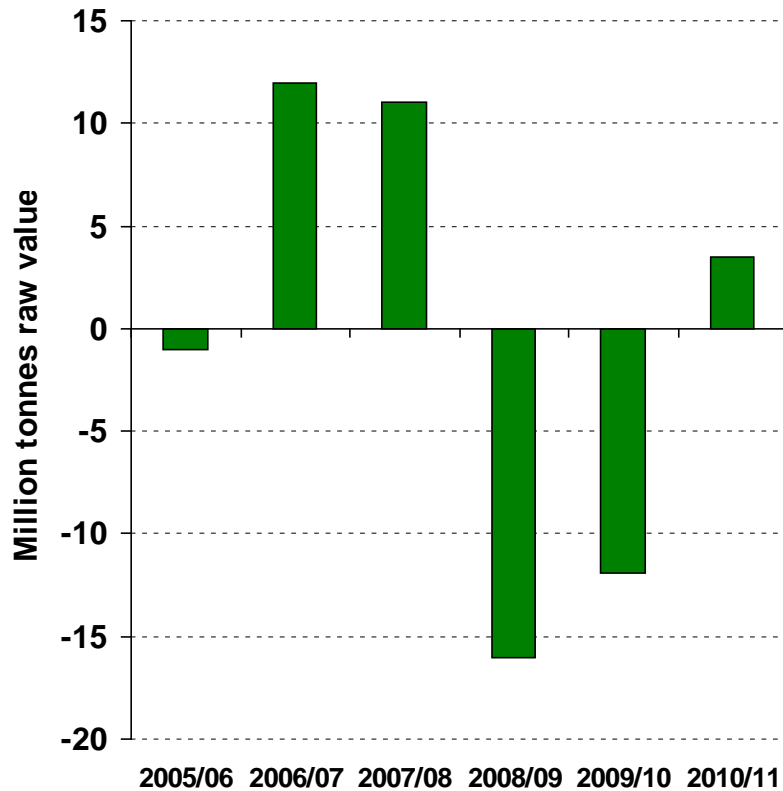
World Sugar Consumption



ICE No11 prices...very strong rally in prices



Recent higher sugar prices driven by sugar shortage..... in Asia



Large world sugar deficit for the last two years

- Indian importing sugar
- Lower production than expected out of Brazil due to wet harvest period

Small global surplus for the upcoming year

- Recovery in production in India,....but
- Lower production in key producers of Thailand, Russia, USA, EU, Australia, Indonesia and Pakistan
- Good harvest conditions in Brazil...but lower production than initial expectation

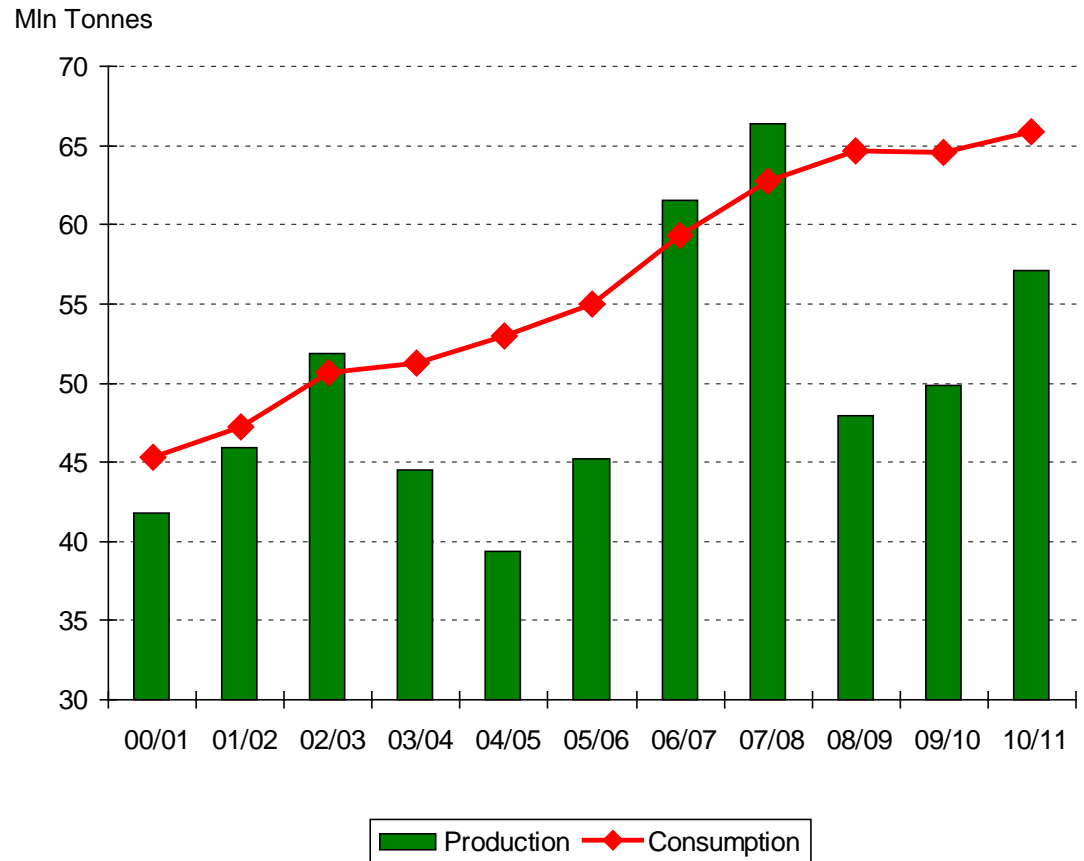
However shortages of sugar still in many countries as stocks were run down in 2009/10

- Large shipping delays from Brazil
- Record sugar price premiums being paid for sugar in Asia



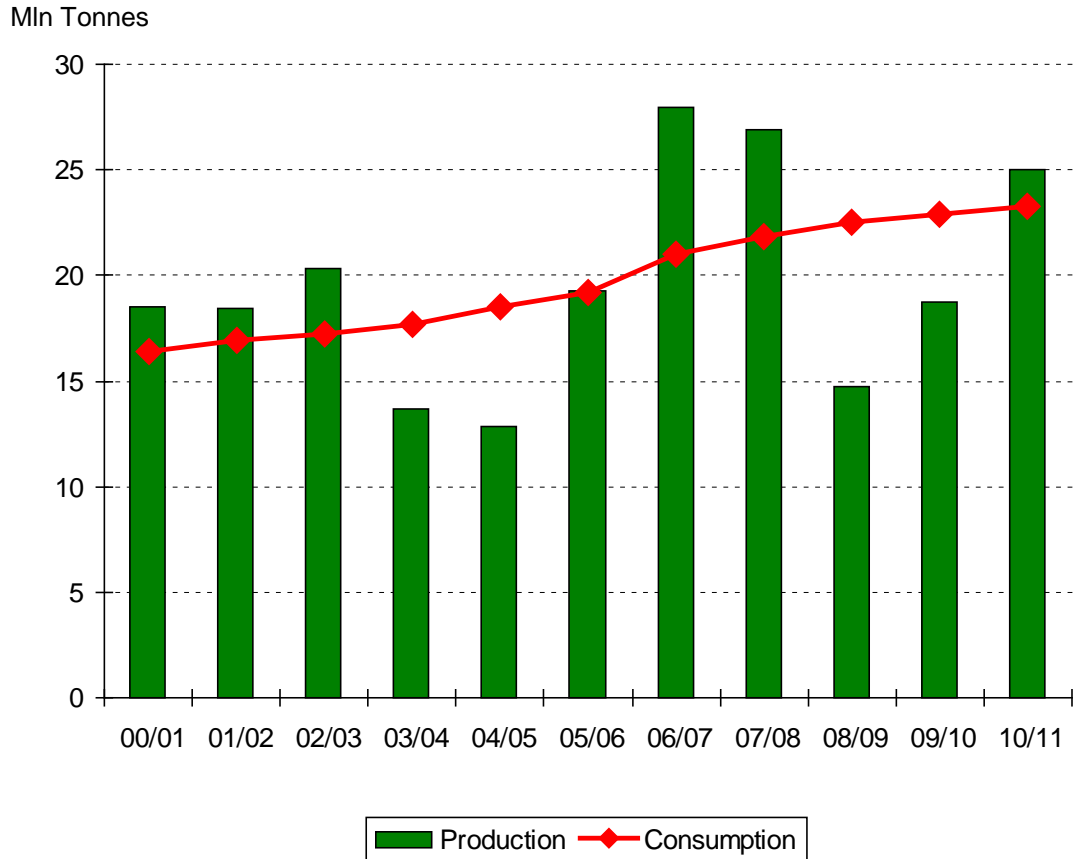
Demand for sugar in Asia....expected to grow at a faster pace than Asian production

- Forecast sugar deficit of 8.8 million tonnes in Asia
- Australia able to supply less than half the deficit
- Recovery in Indian production to 26 million tonnes in 2010/11
- India to export up to 1 million tonnes in FH 2011
- The sugar deficit will be supplied from Brazil
- MSF have a competitive advantage versus Brazil in lower freight cost and faster delivery time



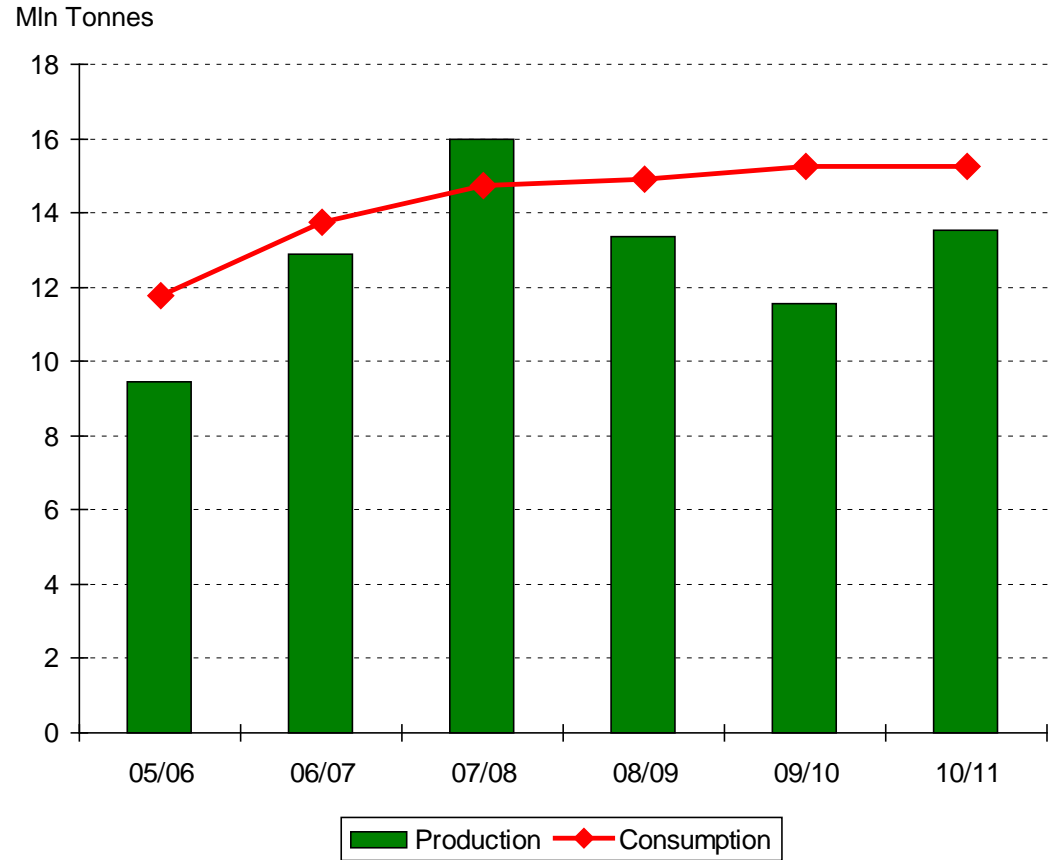
Indian production has wild production fluctuations...can it continue to meet demand?

- Indian consumption is growing at around 0.5 million tonnes per year
- At this rate it will overtake peak production within 10 years
- Wheat prices have an impact on the crop in India as farmers switch between sugar and wheat....need to watch wheat prices!
- 2010/11 season start delayed due to wet weather....common problem in the Eastern Hemisphere this year!



China....Is it now a structural importer?

- Chinese sugar production appears to have peaked at around 13 to 14 million tonnes pa
- Consumption is growing, albeit at a slower rate than witnessed between 2005 and 2008
- Domestic prices are rallying
- China has done a good job in managing supply/demand for many years however it looks like China will now always be an importer....like many other commodities



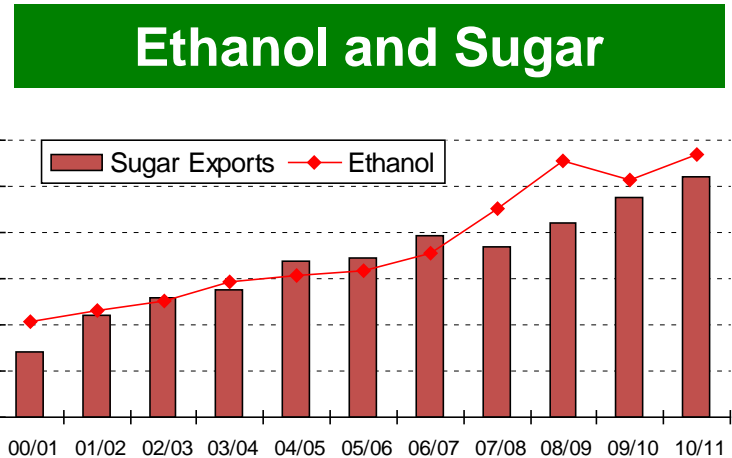
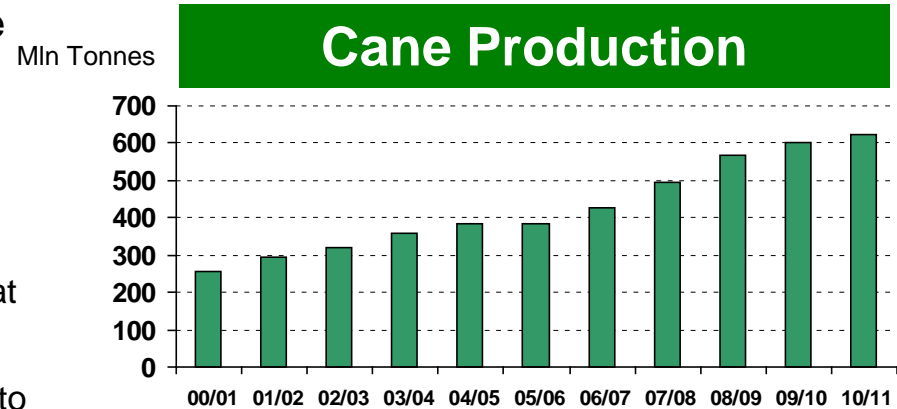
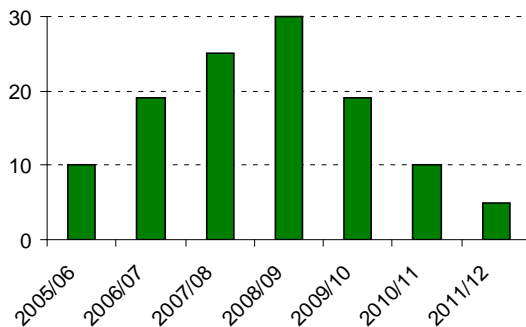
Brazil....Can it supply what is needed?

Brazilian cane expansion is slowing – current forecast for 2011/12 is for no increase in cane production – 620 million tonnes

GFC has impacted the rate of new mill construction

- Lead time between decision and operation is at least 2 years
- Market commentary is that future price needs to be above US 22 c/lb to make a new project

New mills in Brazil



INVESTOR TOUR

23 NOVEMBER 2010

