

The Maryborough Sugar Factory Limited
Annual General Meeting- 18 November 2010
Chairman's Address

On behalf of the board, I welcome all shareholders and guests to this, the 55th Annual General Meeting of the Maryborough Sugar Factory Limited. Thank you for your attendance and ongoing support as we seek to grow your company to one which is recognized as a significant contributor to the agribusiness industry of this country. This is the first meeting of the Company to be held here in Cairns, North Queensland which is now home to the majority of the company's assets and growth opportunities. This will also be the last AGM to be held in November, as moving forward we intend to change the company financial year-end to match the calendar year and better align with the crushing season. This change, once completed, will result in future AGM's being held in the first half of each calendar year.

Therefore, to enable this to occur, the period from June to December 2010 will be our next reporting period. As of January 1, 2011 we will enter a new financial year to end in December 2011. This will match the new commencement date of our Northern Milling Joint Venture, which as you know we entered into earlier this year with Bundaberg Sugar Ltd. We will in future report a full year result to December which relates to that particular crop year. The new date for an AGM on this timetable will be some time in May. We believe this will enable a more transparent and insightful comparison of our performance from year to year, having the entire crop for one season recorded in the same financial year.

The result for the twelve month period to June 2010 and the performance of the company will be covered by a management presentation from our CEO, Mike Barry following my address. I do wish to add that it is pleasing to have the company return to profitability and the payment of dividends to you our shareholders, whilst maintaining a strong balance sheet and continuing to capture growth opportunities.

The major drivers behind the strategy of MSF to date are as follows:

1. Increase capacity utilisation and scale of our milling business;
2. Grow the business in a lower cost growing region with high average annual rainfall;
3. Develop and obtain greater certainty over cane supply;
4. Maintain and cultivate strong relationships with our grower suppliers;
5. Independently market our products directly to end user customers, increasingly off shore;
6. Manage volatility and administer sugar pricing and hedging of MSF and our growers sugar production;
7. Create a safe and productive work environment for employees;
8. Respect and support the communities and environmental capital of the regions in which we operate.

These drivers remain consistent from when we commenced the program to mitigate the risk of a single mill, single region operation based at Maryborough. I believe we are well on the way to delivering on a number of these drivers and progress continues on those not yet fully achieved.

However, outside of these actions which we have managed and controlled at the regional and company level, a significant series of major developments are taking place in the global sugar market and the structure and ownership of agribusiness assets and the route to market for agricultural commodities.

Global demand for sugar is growing at between 2% to 3% per annum, with the static or falling consumption in the developed world being more than offset by consumption growth in the large and emerging economies of the world such as India, China, Indonesia and Brazil. These economies continue to grow and as disposable income grows, diets tend to include more sugar thus increasing overall consumption.

The interesting structural development is that domestic sugar production in China and India which has up until now been able to supply their own domestic requirements now looks set to be exceeded by demand. China and India are set to join Indonesia, Malaysia, Korea and Japan as net importers of raw sugar. The Indian production cycle does have more variability than most, so at times it may be a marginal exporter but longer term competition from alternative crops and demand growth will absorb these surpluses. The model to supply this new growing demand will be at Destination Portside Refineries, and the feedstock to supply these facilities will be raw sugar. We currently export to all these markets and remain well positioned to continue to supply this new demand.

The New York No 11 market has recently traded at 30 year highs of 33 US cents per pound and the short term market continues to be influenced by ongoing supply shocks along with this steadily growing demand. The current levels of 27 US cents per pound are reflecting the smaller than expected Brazilian crop for this year due to poor rainfall and an aging crop impacting overall yields. The forecast for next year's crop in Brazil of approximately 620 million tonnes of cane will be the first year in the past 10 years the Brazilian Industry has not grown its crop year to year. It is also worth understanding that the cash cost of production in Brazil is now around 17 to 18 US cents per pound and a sugar price of 22 US cents is now required to justify the investment in new green-field production capacity. Brazil remains the only material low cost source of new sugar supply to the world market. Notwithstanding a significant fall in the value of the Brazilian Real against the US dollar, these cost levels translate into a continued tight global supply/demand equation providing a solid and profitable longer term pricing environment for Australian producers. However, price volatility will continue to remain at high levels for the foreseeable future.

The route to market for all agricultural commodities continues to evolve, driven by the limited amount of global production capacity, primarily land and water, and the ongoing demand for foodstuffs required to feed a growing world population. It is of no surprise that larger global players with integrated supply chains and multi-commodity businesses have begun expanding into our markets and Australia. We believe that global partnerships and alliances will create value for both suppliers and you our shareholders. Your Board is also firmly of the view that your company is well placed to capitalise on these opportunities. MSF would also like to extend our reach down the supply chain to expand our margins and see this as a natural extension of our business model in time.

The Australian Sugar Industry remains fragmented in the milling and growing sectors. The best opportunities for MSF in these sectors will be to continue to consolidate the ownership of milling assets. These assets within our group are naturally able to mitigate weather, disease and operational risks by simply being part of a larger entity with greater earnings certainty and funding capability for further growth as opposed to those remaining single region, single asset companies.

The ASX listing of MSF requires the ongoing corporate governance, compliance and regulatory reporting and disclosure disciplines which we believe helps drive good corporate decision making process and practices. This structure and discipline may have also motivated Mr Tom Braddock Snr and the board of the time to embark upon listing MSF in 1956 on the then Brisbane Stock Exchange. We continue to enjoy the benefits and outcome of that decision today and with the ownership of the sugar division of CSR, Sucrogen, about to soon leave our shores, we will become the only listed sugar business on the Australian Securities Exchange.

Furthermore on shareholders, as we announced earlier this week, we look forward to welcoming Mitr Phol Sugar Corp Ltd, the largest sugar producer in Thailand and second largest sugar producer in China as a new 19.99% shareholder of MSF, making them our largest shareholder.

The previously announced evaluation of various options for funding our growth strategy continues, and, as part of this process discussions with parties potentially interested in developing a strategic partnership with the company continue at this time. I do not wish to comment further on this subject at this time, due to the incomplete nature of these discussions and the confidentiality agreements we have entered into with these parties.

Now in concluding my address for today, I wish to extend thanks from the entire board to our CEO, Mike Barry and his executive team, to all our employees for their efforts and contribution in the past year producing this pleasing result and ongoing efforts to grow your company.

My personal thanks to our Company Secretary, Chris Lobb, who has been a very busy man since joining earlier this year. As I mentioned in our annual report, we also thank Greg Clarey our now partially retired former Company Secretary and CFO of 23 years for his commitment and contribution to MSF over such a long period.

Personally, I wish to thank my fellow board members for your insightful and valuable contributions over a challenging and for the most part, rewarding year. I do sincerely endorse board diversity and I believe our board is significantly stronger from the broad set of skills and experience you all bring to the role and tasks at hand.

I also wish as always to thank our growers suppliers in Mulgrave and Maryborough for your cane and we as always encourage you to grow more cane and send us more cane into the future. Along with this, I also thank our numerous quality customers for your continued business and support of an independent Australian sugar company.