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THE MARYBOROUGH SUGAR FACTORY LIMITED ANNOUNCES EQUITY RAISING TO FUND SUGAR MILLING EXPANSION

Highlights

- Fully underwritten equity placement to raise approximately $38 million at A$3.15 per share
- Proceeds to be used to partially fund acquisition of the remaining 50% interest in the Northern Milling Joint Venture from Bundaberg Sugar Ltd

Equity raising summary

The Maryborough Sugar Factory Limited ("MSF" or the "Company") has today launched an offer of approximately 12.0 million new ordinary shares to sophisticated and professional investors to raise approximately $38 million ("Placement") at a fixed price of $3.15 per share ("Placement Price"). The offer price represents a 9.5% discount to the closing price on 10 December 2010. The Placement is fully underwritten.

The Placement includes two components, an unconditional placement to raise approximately $25 million ("Unconditional Placement") and a conditional placement to raise approximately $13 million ("Conditional Placement"). Settlement of the Conditional Placement is subject to shareholder approval (by ordinary resolution) at a general meeting scheduled to take place on 17 January 2010. The notice of meeting and related materials for the general meeting will be despatched to shareholders in due course.

Following the Unconditional Placement, MSF will offer existing eligible shareholders with a registered address in Australia or New Zealand the opportunity to participate in a non-underwritten Share Purchase Plan ("SPP") of up to $15,000 per eligible shareholder at the Placement Price. Further details of the SPP will also be provided to eligible shareholders in due course.

All shares issued under the Placement and SPP will rank equally with existing fully paid ordinary shares in MSF from allotment.

Sugar milling expansion

The Placement facilitates MSF's entry into the Northern Milling Joint Venture ("NMJV") and will be used to partially fund the exercise of MSF's call option to acquire the assets contributed by Bundaberg Sugar Ltd ("BSL") to the NMJV.

The remaining consideration, transaction and integration costs will be funded either by a drawdown of approximately $24 million from a committed bridge debt facility (which has a three month term) or a club debt facility. The Company is currently in advanced negotiations with a number of banks in relation to a club debt facility which is intended to be utilised to either fund the required $24 million directly or refinance the bridge facility by early 2011 if this bridge facility is utilised.

The agreed commencement date ("Effective Date") for the NMJV is 1 January 2011. The call option is intended to be exercised by MSF within the initial call exercise period of 1 January 2011 to 28 February 2011. Under the NMJV Agreement entered into in July 2010 with BSL the agreed exercise price of the call option of $50 million becomes payable at final settlement.

Key benefits from the transaction include:

- Increases MSF's raw sugar production capacity from proforma 325,000 tonnes per annum to approximately 540,000 tonnes per annum resulting in reduced unit cost of production
- Expected to enable MSF to capture strong sugar futures prices for the 2011 season from the significant unhedged portion of the NMJV's 2011 raw sugar production
- Further transitions MSF's business mix from capital growth assets to higher free cash flow generating assets
- Elevates the role of MSF in supplying the growing Asian sugar market where the supply deficit is forecast to increase
- Provides further growth opportunities in renewable energy

MSF Chairman, Mr James Jackson, said: "The acquisition of full control of the Northern Milling Joint Venture is the next step in MSF's consolidation of the Australian sugar industry. Following the acquisition of Mulgrave Mill in 2008 and now the NMJV, MSF will become the 3rd largest producer of raw sugar in Australia and our export volumes will constitute approximately 6% of the raw sugar trade in East Asia."

MSF CEO, Mr Mike Barry added: "Significant synergies are expected to be available from the contiguous growing regions of NMJV assets. In addition, MSF will benefit from attractive sugar pricing opportunities in the current global market. MSF with its independent marketing operations will seek to capture and protect these pricing outcomes for the 2011 season and beyond."

Major shareholder - Mitr Phol

Last month the global sugar industry participant, Mitr Phol, advised the Company that it had acquired a 19.9% interest in MSF from Guinness Peat Group for $4.00 per share. Mitr Phol has indicated to the Company that it supports the proposed NMJV acquisition and equity raising and intends to subscribe for its full pro rata share of the Placement.

Land monetisation

MSF continues to assess opportunities to unlock the value of MSF's substantial cane farm land in the Maryborough region and the proposed Mary Harbour residential project within the city of Maryborough. The Company will be seeking to further advance these initiatives and opportunities in the new year.

Strategic funding evaluation

MSF has been and will continue to evaluate options for the funding of future growth beyond internal sources. Discussions have been undertaken with numerous strategic parties in relation to a range of potential transaction structures. At present, no proposals have been received that are of sufficient certainty to indicate to MSF that a binding agreement will be reached.

Change to reporting year end

As identified at our 2010 Annual General Meeting, MSF intends to change its year end from 30 June to 31 December, commencing from 31 December 2010, in order to better align its financial year profits and cash flow with the underlying harvest season. As a result of this change, MSF will report as follows:

- Half year results for the six months to 31 December 2010 to be reported in February 2011 ("HYED10")
- Half year results for the six months to 30 June 2011 to be reported in August 2011
- Full year results for the twelve months to 31 December 2011 ("YED11") to be reported in February 2012

The relevant comparatives will be provided for each of these reporting periods.

Outlook

Exercising the NMJV call option will create an uplift in normalised EBITDA for the YED11 financial year of approximately $12-14 million. The expected sugar cane crop for YED11 has been negatively impacted by higher than average rainfall in the second half of 2010. On this basis, and based on the assumptions in the table below, MSF expects YED11 normalised EBITDA to be $27-33 million (excluding non-recurring items of $7 million relating to stamp duty and other NMJV related transaction costs and operational restructuring costs).

For HYED10, MSF expects to achieve a normalised EBITDA of $13-15 million, based on the assumptions in the table below. The HYED10 forecast normalised EBITDA is a range due to the Maryborough Mill being yet to finalise crushing for the 2010 season.

Key outlook assumptions are set out in the table below. Sugar price forecasts are based on the current sugar futures market and MSF's current pricing achieved.

	HYED10	YED11
Crop crushed	1.7 m tonnes	4.0 m tonnes
Sugar Price[1]	\$460 per t IPS[2]	\$465 per t IPS[2]
Normalised EBITDA	\$13 to 15 million	\$27 to 33 million

1. Average of current hedge book and unhedged production at current prices
2. International Pol Scale (standardised quality sugar). As a guide, NY#11 equivalent sugar price is approximately \$15/t higher than IPS price

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The Maryborough Sugar Factory Limited (ASX code: MSF) is an integrated sugar company based in Queensland, Australia. It first listed on the Australian Stock Exchange in 1956 and has recently entered into a dynamic new phase of its history with the acquisition of and interests in, additional sugar producing assets in Far North Queensland.

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