



COMPANY ANNOUNCEMENT

20 July 2010

COMPLETION OF AGREEMENT ON FAR NORTH QUEENSLAND SUGAR CANE MILLING JOINT VENTURE

The Maryborough Sugar Factory Limited (MSF) and Bundaberg Sugar Ltd (BSL) today confirmed that final agreement has been reached on their previously announced joint venture for sugar cane milling facilities in Far North Queensland.

It is expected that the joint venture will commence operations from 1 December 2010 and will be fully operational for the 2011 crushing season commencing in mid 2011.

The final steps in this transaction included the completion and execution of detailed documentation between the parties. As announced, MSF will have a call option to buy BSL's 50% interest in the joint venture exercisable from 1 December 2010 until 29 February 2012 for an agreed additional \$50 million.

To obtain this option, MSF has today transferred a non refundable \$20 million to BSL as consideration. The stamp duty on this option and other completion costs are to be expensed in this current period. (These are expected to be in the order of \$2 million before tax). Should this option be exercised, the additional \$50 million is to be paid on the terms as set out in the asset sale agreement.

The net production effect of this joint venture will see MSF increase its share of sugar production in Far North Queensland from approximately 150,000 tonnes per annum at Mulgrave Mill to approximately 225,000 tonnes per annum which equates to MSF's 50% share of joint venture production commencing from the 2011 crushing season. Total MSF sugar production will increase from current levels of circa 250,000 tonnes per annum to approximately 325,000 tonnes per annum.

Given the timing of the joint venture's establishment and the cost and revenue cycle of the milling business, MSF will be incurring approximately \$5 million of additional operating costs (on a before tax basis) for the period to June 2011. These costs relate to the increased cost of mills' preparation and maintenance from the commencement of the joint venture until 30 June 2011, in readiness for the increased production of the 2011 crushing season. The majority of the revenues relating to MSF's 50% share of the joint venture for the 2011 crushing season will not be recognised until the financial period commencing 1 July 2011.

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MSF Chief Executive Officer, Mr Mike Barry, today welcomed the completion of negotiations.

“Since we announced our plans in April, discussions have been constructive and fruitful. This augurs well for a successful and productive arrangement for both companies,” said Mr Barry.

“As we have seen recently the Australian sugar industry continues to undergo massive change. It is imperative that we move with the times so that we can continue to compete successfully on local and international markets. This joint venture will play a critical role in helping us achieve this objective,” he said.

“The two companies will now work towards our anticipated 1 December 2010 start-up. This will include meetings of the joint venture executive committee, sharing of systems and resources where appropriate and preparation of the mills awaiting the commencement of the 2011 crushing season.

“With today’s historic signing we can now commence detailed discussions in earnest and expect to provide further updates on our plans at the time of announcing our 2010 annual results on the 19th of August 2010,” said Mr Barry.

Further information:

Mike Barry
Chief Executive Officer

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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.