



13 December 2011

The Manager
Company Announcements Office
ASX Limited
Riverside Centre, Level 5
123 Eagle Street
BRISBANE QLD 4000

Dear Sir or Madam

Takeover bid by Mitr Siam International Pte. Ltd (a wholly-owned subsidiary of Mitr Phol Sugar Corp., Ltd) – Target’s Statement

Please find enclosed, in accordance with section 633(1) item 14 of the *Corporations Act 2001* (Cth), a copy of the Target’s Statement of MSF Sugar Limited prepared in response to the takeover offer (“**Offer**”) by Mitr Phol Sugar Corp., Ltd (through its wholly-owned subsidiary Mitr Siam International Pte. Ltd (“**Bidder**”)).

The Target’s Statement was lodged with the Australian Securities and Investments Commission and provided to the Bidder earlier today.

Update in relation to projected financial result for the year ending 31 December 2011

In its ASX announcement dated 18 August 2011, MSF provided an estimated range of normalised EBITDA for the full year ending 31 December 2011 of A\$7 million to A\$11 million (excluding the non-recurring costs in connection with the acquisition by MSF of the assets from Bundaberg Sugar Ltd in April 2011, being the non-recurring income item of A\$16.2 million for the discount on acquisition of assets and A\$8 million of non-recurring expenses relating to stamp duty and acquisition-related transaction costs together with other restructuring costs). The MSF Board currently expects that MSF’s normalised EBITDA for the year ending 31 December 2011 will be in the range of A\$7 million to A\$8 million (in part because MSF has achieved a crush for the relevant period of 2.735 million tonnes, down from the cane crushing estimate for the period of 2.9 million tonnes, as announced on 18 August 2011).

The transaction-related expenses to be incurred by MSF in relation to the Offer are excluded from the normalised EBITDA information (and non-recurring exclusions) noted above. These transaction-related expenses (assuming the Bidder acquires at least 50.1% of all MSF Shares and the Offer becomes unconditional) are forecast to be approximately A\$6 million (of which at least A\$1 million will be incurred prior to 31 December 2011). If all of these transaction-related expenses are incurred prior to 31 December 2011, MSF expects reported EBITDA for the full year ending 31 December 2011 will be between A\$9 million and A\$10 million.

Further details are set out in section 6.4 of the Target's Statement.

Yours sincerely



Chris Lobb
Company Secretary



MSF Sugar

Target's Statement

of **MSF Sugar Limited**
in response to the offer by **Mitr Siam International Pte. Ltd**,
an entity controlled by **Mitr Phol Sugar Corp., Ltd**
to acquire all of your ordinary shares in MSF Sugar Limited

YOUR DIRECTORS UNANIMOUSLY RECOMMEND YOU

ACCEPT

THE OFFER, IN THE ABSENCE OF A SUPERIOR PROPOSAL

If you have any questions, please contact the Offer Information Line:
1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia)
Monday to Friday between 9.00am and 5.00pm (AEDT)

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Target's Statement has been issued by MSF Sugar Limited (ABN 11 009 658 708)
under Part 6.5 of the Corporations Act in response to the takeover bid made by
Mitr Siam International Pte. Ltd, an entity controlled by Mitr Phol Sugar Corp., Ltd

If you are in doubt as to its contents, please contact your professional adviser.

Financial adviser

Greenhill Caliburn

Legal adviser

MALLESONS STEPHEN JAQUES



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Important notices

This target's statement ("**Target's Statement**") dated 13 December 2011 is given by MSF Sugar Limited (ABN 11 009 658 708) ("**MSF**") under Part 6.5 of the Corporations Act in response to the offer ("**Offer**") made pursuant to the bidder's statement dated 2 December 2011 ("**Bidder's Statement**") which was served on MSF by Mitr Siam International Pte. Ltd, an entity controlled by Mitr Phol Sugar Corp., Ltd ("**Mitr Phol**") on 7 December 2011.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

A copy of this Target's Statement has also been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the content of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. Unless a contrary intention appears, or the context requires otherwise, these terms are defined in section 10 of the Target's Statement. In addition, unless a contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act or ASX Listing Rules (as applicable).

No account of personal circumstances

This Target's Statement, including the Independent Expert's Report, and the recommendations contained in it, should not be taken as personal financial advice, as it does not take into account the individual investment objectives, financial or tax situation or particular needs of each MSF Shareholder. You may wish to seek independent financial and taxation advice before making a decision whether or not to accept the Offer for your MSF Shares.

Responsibility statement

The information in the Independent Expert's Report relating to Mitr Phol and the information in this Target's Statement relating to Mitr Phol and relating to the Bidder's Statement ("**Mitr Phol Information**") has been prepared by MSF using publicly available information and limited non-public information made available to MSF by Mitr Phol. Information in this Target's Statement about Mitr Phol has not been independently verified by MSF. Accordingly, MSF does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information in this Target's Statement other than the Mitr Phol Information ("**MSF Information**") and except to the extent specified below, is the sole responsibility of MSF and none of Mitr Phol or its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the MSF Information.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. A concise version of the Independent Expert's Report is set out in Annexure A of this Target's Statement. A full version of the Independent Expert's Report is available on request by contacting the Offer Information Line or can be accessed at MSF's website www.msfsugar.com.au. None of MSF, Mitr Phol or any of their respective officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of MSF and Mitr Phol, in relation to the information given by them respectively to the Independent Expert.

Disclaimer regarding forward looking statements

Some of the statements appearing in this Target's Statement, including the Independent Expert's Report, may be in the nature of forward looking statements. Statements other than statements of historical facts may be forward looking statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of MSF, any of its directors or officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or

results expressed or implied in any forward looking statement or any statement in the nature of a forward looking statement. You are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved.

Risk factors

MSF Shareholders should note that there are a number of risk factors attached to their investment in MSF. Section 7 of this Target's Statement sets out further information on those risks.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions outside Australia may be restricted by law and any person who comes into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Internet

Both MSF and Mitr Phol maintain internet sites. The MSF website is www.msfsugar.com.au. Mitr Phol's website is www.mitrphol.com/en. Information contained in, or otherwise accessible through these internet sites is not a part of this Target's Statement. All references in this Target's Statement to these internet sites are inactive textual references to these internet sites and are for your information only.

Privacy

MSF has collected your information from the register of MSF Shareholders for the purposes of providing you with this Target's Statement. The type of information MSF has collected about you includes your name, contact details and information on your shareholdings in MSF. Without this information, MSF would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of MSF Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to MSF and its related bodies corporate, and holders of MSF Shares and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by MSF, please contact us using the contact details shown below.

Offer Information Line

If you have any questions in relation to the Offer, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT). Further information relating to the Offer can be obtained from MSF's website at www.msfsugar.com.au.

Key information

Key dates	
Date MSF publicly announced it had entered into the Takeover Implementation Agreement with Mitr Phol (" Announcement Date ")	9 November 2011
Date Mitr Phol publicly announced its intention to make the Offer (following completion of due diligence) (" Bid Announcement Date ")	16 November 2011
Date of the Bidder's Statement	2 December 2011
Date of the Offer	12 December 2011
Date of this Target's Statement	13 December 2011
Close of Offer Period (unless extended)	10 February 2012 7.00pm AEDT

What should I do?	
1	Read the Bidder's Statement provided by Mitr Phol and this Target's Statement
2	Consult your investment, financial, taxation or other professional adviser if in doubt about what to do
3	If you have any questions, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT)

What choices do I have as an MSF Shareholder?	Further information
Accept the Offer for all of your MSF Shares	See section 1.1
Sell some or all of your MSF Shares on ASX	See section 1.2
Do nothing	See section 1.3

What does the Board of MSF recommend I do?	Further information
Your Directors unanimously recommend you ACCEPT the Offer, in the absence of a Superior Proposal	See section 3
To accept the Offer, follow the instructions in section 2 of this Target's Statement and on page 9 of the Bidder's Statement	See section 2

Letter from the Chairman



13 December 2011

Dear MSF Shareholder

On 16 November 2011, MSF Sugar Limited ("MSF") and Mitr Phol Sugar Corp., Ltd ("Mitr Phol") announced Mitr Phol's intention to make an all cash off-market takeover offer to acquire all the outstanding Shares in MSF not controlled by Mitr Phol for an Offer Price of A\$4.45 cash per MSF Share (the "Offer").

The Offer of A\$4.45 cash per MSF Share values the total equity of MSF at approximately \$313 million and represents a premium of:

- 30.9% to the closing MSF Share price of A\$3.40 on 4 November 2011, being the last trading day prior to the commencement of the MSF trading halt on 7 November 2011;
- 37.8% to the 1 month volume weighted average price of MSF Shares to 4 November 2011 of A\$3.23; and
- 37.3% to the 3 month volume weighted average price of MSF Shares to 4 November 2011 of A\$3.24.

Shareholders should note that MSF Shares have traded on ASX in the range of A\$4.34 and A\$4.52 between 9 November 2011 (the date on which the proposed Offer was announced) and 9 December 2011 (the last practicable date prior to the finalisation of this Target's Statement). The closing share price on 9 December 2011 was A\$4.47.

This document is MSF's Target's Statement. It outlines MSF's response to the Offer, including the recommendation and intention of the MSF Directors, along with important information to help you decide whether or not to accept the Offer.



Letter from the Chairman continued

The Board of Directors have carefully considered the Offer and unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal.

Each Director who holds Shares either directly or indirectly in MSF intends to accept the Offer for all their MSF Shares in the absence of a Superior Proposal.

In forming their unanimous recommendation, the Board of Directors have carefully considered the following:

- the price offered represents a significant premium to the trading price of MSF Shares prior to the commencement of the MSF trading halt on 7 November 2011;
- Lonergan Edwards & Associates Limited (the "**Independent Expert**") believes that the Offer is fair and reasonable for MSF Shareholders;
- the Offer provides certainty of cash;
- if the Offer is not successful and if no Superior Proposal emerges, the Board of Directors believe that the price of MSF Shares on ASX is likely to trade below the price of A\$4.45 per Share offered by Mitr Phol;
- since the announcement of the agreement between MSF and Mitr Phol on 9 November 2011, up to the date of this Target's Statement, no Superior Proposal has been received by MSF; and
- MSF Shareholders will not pay any brokerage fees on disposal of their MSF Shares if done by accepting the Offer.

The Board of Directors strongly recommends that you read this Target's Statement (including the Independent Expert's Report) in its entirety and in conjunction with the Bidder's Statement you have received from Mitr Phol. A concise version of the Independent Expert's Report is set out in Annexure A of this Target's Statement. A full version of the Independent Expert's Report is available on request by contacting the Offer Information Line or can be accessed at MSF's website www.msfsugar.com.au. You should consider the Offer having regard to your own investment objectives, financial situation and tax position and, if in doubt about what to do, consult your independent legal, financial or other professional adviser.

A list of frequently asked questions is set out in section 4. If you have any questions about the Offer after reading this document, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).

Yours sincerely,



James A Jackson
Chairman
MSF Sugar Limited

1 Your choices as an MSF Shareholder

As an MSF Shareholder, you have several choices available to you. The MSF Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your MSF Shares.

The MSF Directors recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal. All of the MSF Directors who hold MSF Shares intend to accept the Offer in the absence of a Superior Proposal. As at the date of this Target's Statement, no competing proposal has been received by MSF.

1.1 Accept the Offer for all your MSF shares

You may choose to accept the Offer. Details of how to accept the Offer for your MSF Shares are set out in section 2 of this Target's Statement and on page 9 of the Bidder's Statement.

If you accept the Offer you will not be able to sell your MSF Shares on ASX or otherwise deal with your MSF Shares, unless either:

- the Offer is unsuccessful (because, for example, not all of the Offer Conditions are satisfied or waived); or
- the Offer Period is extended by a period of more than one month while it is still conditional (refer to section 7.11 for further information).

The taxation implications of accepting the Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax implications for certain MSF Shareholders of accepting the Offer is set out in section 8 of the Bidder's Statement and section 8 of this Target's Statement. You should seek your own specific professional advice regarding the taxation consequences for you of accepting the Offer.

1.2 Sell your MSF Shares on ASX

MSF Shares have traded on ASX in the range of A\$4.34 and A\$4.52 between 9 November 2011 (the date on which the proposed Offer was announced) and 9 December 2011 (the last practicable date prior to the finalisation of this Target's Statement). The closing share price on 9 December 2011 was A\$4.47.

Provided you have not accepted the Offer, you can sell all or some of your MSF Shares on ASX during the Offer Period.

If you sell any of your MSF Shares on ASX, you will receive the consideration for those MSF Shares sooner than if you accept the Offer while it is still subject to the Offer Conditions. Refer to section 7.2 for an explanation of when you will receive your consideration for your MSF Shares if you accept the Offer.

If you sell your MSF Shares on ASX, you:

- will lose the ability to accept the Offer;
- will not be entitled to receive any increased consideration if the Offer Price is increased by Mitr Phol;
- may receive more or less for your MSF Shares than the value of the Offer Price;
- may be liable for capital gains tax or income tax on the sale of those MSF Shares;
- may incur a brokerage charge; and
- will lose the opportunity to receive any future benefits from being an MSF Shareholder.

You should contact your broker for information on how to sell your MSF Shares on ASX and your tax adviser to determine your tax implications from such a sale.

A general outline of the tax implications for certain MSF Shareholders of accepting the Offer is set out in section 8 of the Bidder's Statement and section 8 of this Target's Statement.

1 Your choices as an MSF Shareholder continued

1.3 Do nothing

If you do not wish to accept the Offer or to otherwise sell your MSF Shares you should simply do nothing and keep your MSF Shares. However, you should note that:

- if you choose not to accept the Offer, Mitr Phol will not be able to acquire your MSF Shares unless the Offer is unconditional and Mitr Phol holds at least 90% of all MSF Shares at the end of the Offer Period. In this event, Mitr Phol will become entitled under the Corporations Act to compulsorily acquire those MSF Shares that it does not already own (as it intends to do, see section 7.7 of the Bidder's Statement). Refer to section 7.15 of this Target's Statement for details on compulsory acquisition;
- if Mitr Phol acquires less than 90% of the MSF Shares and all Offer Conditions are satisfied or waived and you continue to hold MSF Shares, you will be exposed to the risks associated with being a minority Shareholder in MSF (see section 7.14 of this Target's Statement for further information); and
- if the Offer lapses and there are no other offers for MSF, MSF may remain a listed company.



2 How to accept the offer

Before making a decision on whether or not to accept the Offer, you should carefully read the Bidder's Statement and this Target's Statement, which contains your Directors' recommendation to ACCEPT the Offer in the absence of a Superior Proposal.

Depending on the nature of your holding, you may accept the Offer in the following ways:

Holding	Instructions
<p>For CHESSE holdings (ie your Holder Identification Number commences with "X" – please refer to the Acceptance Form which accompanies the Bidder's Statement)</p>	<p>Please either:</p> <ul style="list-style-type: none"> • instruct your broker or other CHESSE controlling participant to initiate acceptance of the Offer on your behalf; or • complete, execute and return the Acceptance Form in accordance with the instructions on that form and within the Bidder's Statement, in sufficient time for the Offer to be accepted before the end of the Offer Period.
<p>For issuer sponsored holdings (ie your Shareholder Reference Number commences with an "I" – please refer to the Acceptance Form which accompanies the Bidder's Statement)</p>	<p>Please complete, execute and return the Acceptance Form in accordance with the instructions on the form and within the Bidder's Statement before the end of the Offer Period.</p>
<p>For Participants</p>	<p>If you are a Participant, you must initiate acceptance of the Offer in accordance with rule 14.14 of ASX Settlement Operating Rules before the Offer closes.</p>

To validly accept the Offer, your acceptance must be received before the end of the Offer Period (7.00pm (AEDT) on 10 February 2012), unless the Offer Period is extended in accordance with the Corporations Act.

Full details on how to accept the Offer are set out on page 9 of the Bidder's Statement.

Offer Information Line

If you have any questions, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).



3 Key reasons why your Directors unanimously recommend you **ACCEPT** the offer, in the absence of a Superior Proposal

<p>1 The Offer Price represents an attractive premium for your MSF Shares</p>	<p>refer to section 3.1</p>
<p>2 The Independent Expert believes the Offer is fair and reasonable for MSF Shareholders</p>	<p>refer to section 3.2</p>
<p>3 The all cash Offer provides you with certainty of value for your MSF Shares</p>	<p>refer to section 3.3</p>
<p>4 The MSF Share price is likely to trade below the Offer Price if the Offer is not successful</p>	<p>refer to section 3.4</p>
<p>5 No Superior Proposal has emerged</p>	<p>refer to section 3.5</p>
<p>6 Under the Offer you will not incur brokerage fees if you accept</p>	<p>refer to section 3.6</p>

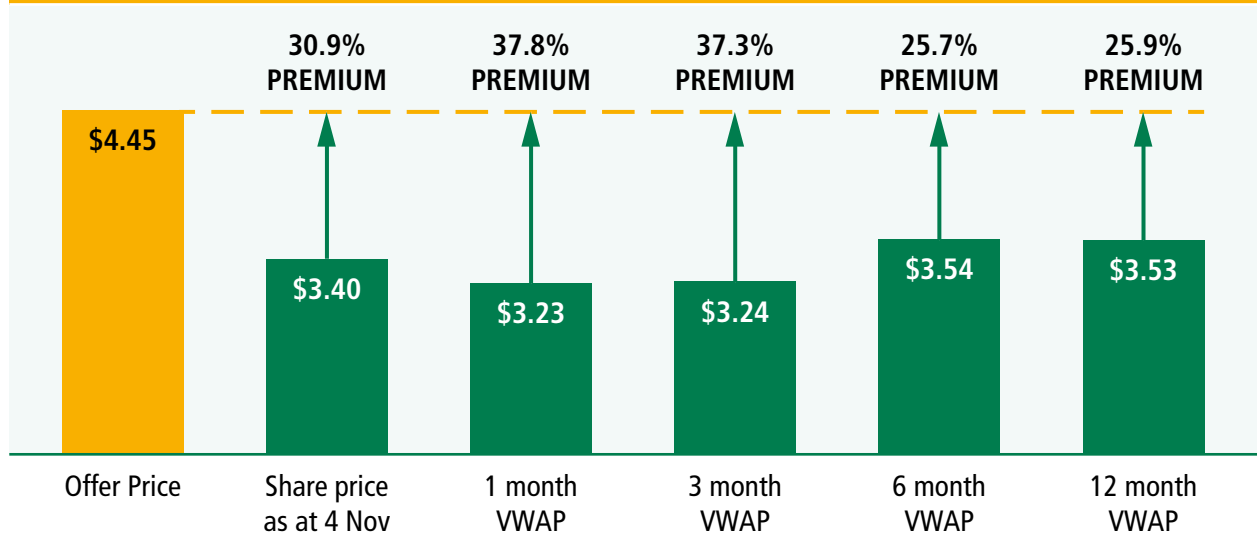
If you have any questions, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).



3.1 The offer price represents an attractive premium for your MSF shares

The Offer Price of A\$4.45 cash per share represents a significant premium to volume weighted average prices ("VWAP") across various periods in the 12 months to 4 November 2011, which was the last trading day in MSF Shares prior to the commencement of the MSF trading halt on 7 November 2011.

Chart 1: Attractive premium to recent VWAP¹



Further, prior to 4 November 2011, MSF Shares had never traded at or above the Offer Price.

Chart 2: Premium to historical MSF share price prior to 4 Nov 2011



Shareholders should note that MSF Shares have traded on ASX in the range of A\$4.34 and A\$4.52 between 9 November 2011 (the date on which the proposed Offer was announced) and 9 December 2011 (the last practicable date prior to the finalisation of this Target's Statement). The closing share price on 9 December 2011 was A\$4.47.

¹ VWAP represents the market volume weighted average share price rounded to the nearest cent in the relevant period up to and including 4 November 2011 (being the last trading day before the commencement of the MSF trading halt on 7 November 2011).

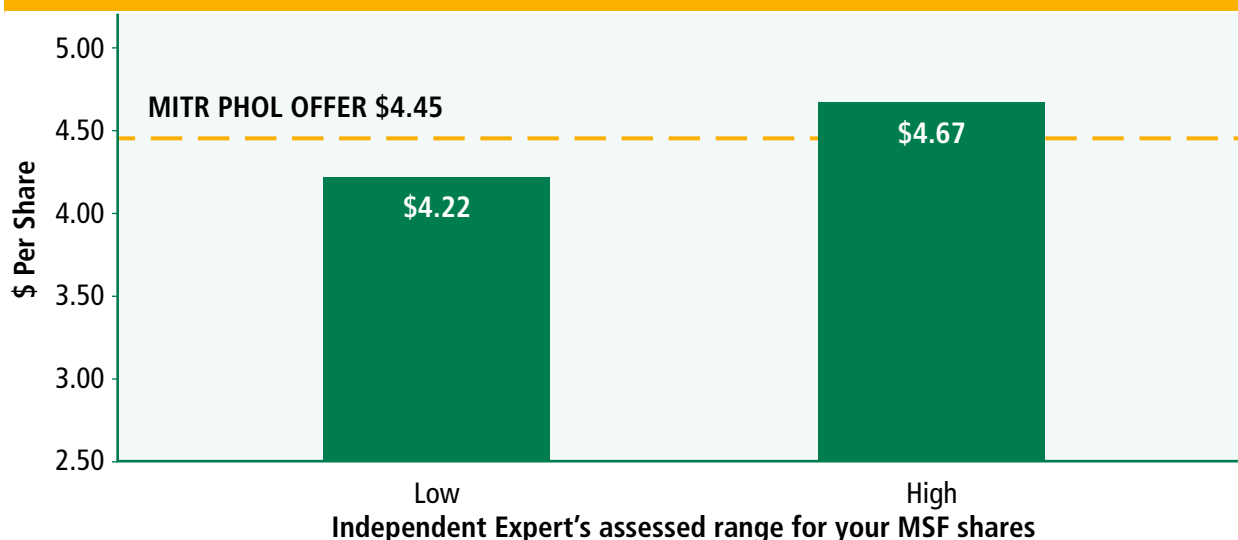
3.2 The Independent Expert believes the offer is fair and reasonable for MSF shareholders

The Independent Expert has concluded that the Offer is **fair and reasonable** for MSF Shareholders.

The Independent Expert has assessed the current control value of MSF Shares in the range of A\$4.22 to A\$4.67 per MSF Share. Accordingly, the Independent Expert has concluded that the Offer is **fair**.

In addition, the Independent Expert has concluded that the Offer is **reasonable**.

Chart 3: The recommended offer falls within the Independent Expert’s control valuation range



A concise version of the Independent Expert’s Report is set out in Annexure A of this Target’s Statement. A full version of the Independent Expert’s Report is available on request by contacting the Offer Information Line, and is also available on the MSF website www.msfsugar.com.au.



3.3 The all cash Offer provides you with certainty of value for your MSF Shares

The Offer Price of A\$4.45 cash per MSF Share offered to MSF Shareholders provides certainty of value. You will cease to be exposed to the risks associated with an investment in MSF, including potential share price volatility due to general share market conditions, commodity price volatility and business performance.

In contrast, if the Offer lapses, the amount which MSF Shareholders will be able to realise for their MSF Shares will necessarily be uncertain and subject to, amongst other things, the performance of MSF's business from time to time and the vagaries of commodity prices and share market conditions.

3.4 The MSF Share price is likely to trade below the Offer Price if the Offer is not successful

The closing MSF Share price on ASX on 4 November 2011, being the last trading day before the commencement of the MSF trading halt on 7 November 2011, was A\$3.40. If the Offer is not successful and if no Superior Proposal emerges, the Board of Directors believe that the MSF Share price is likely to trade below the Offer Price of A\$4.45 per Share offered by Mitr Phol.

Further, at paragraph 97 of the concise version of the Independent Expert's Report, the Independent Expert makes the following comment:

"In our opinion, if the Offer is unsuccessful and in the absence of an alternative proposal, it is likely (at least in the short-term) that MSF shares will trade at a discount to our valuation and the Offer consideration of \$4.45 per share (consistent with the difference between the value of MSF on a portfolio basis and the value on a 100% controlling interest basis)."

3.5 No Superior Proposal has emerged

Since the announcement of the agreement between MSF and Mitr Phol on 9 November 2011, and up to the date of this Target's Statement, the MSF Board has not become aware of any other Superior Proposal from a third party and is not, therefore, in a position to provide MSF Shareholders with information in relation to the probability of a Superior Proposal.

3.6 Under the Offer you will not incur brokerage fees

By accepting the Offer you will receive (subject to the Offer Conditions being satisfied or waived) A\$4.45 cash per MSF Share. You will not incur any brokerage fees which may be incurred if you choose to sell your MSF Shares on ASX.

4 Frequently asked questions

You may have questions regarding the Offer. The following set of questions and answers is intended to assist in your understanding of the Offer. If you have any further questions which are not addressed in this Target's Statement, please contact the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).

Question	Answer
Who is making the Offer?	<p>The bidder under the Offer is Mitr Siam International Pte. Ltd, an entity controlled by Mitr Phol. Mitr Phol is a substantial shareholder in MSF, currently owning approximately 22.01% of all MSF Shares.</p> <p>Further information about Mitr Phol is provided in section 4 of the Bidder's Statement and is available on Mitr Phol's website at www.mitrphol.com/en.</p>
What is Mitr Phol offering for my MSF Shares?	<p>Mitr Phol is offering A\$4.45 cash per MSF Share for all of the MSF Shares you hold, subject to the satisfaction or waiver of each of the Offer Conditions.</p> <p>The Offer also extends to MSF Shares issued as at the Register Date (being 10.00am (AEDT) on 9 December 2011) and any MSF Shares issued on the conversion of, or the exercise of rights attached to, MSF Options and MSF Performance Rights in existence as at the Register Date (being 10.00am (AEDT) on 9 December 2011) before the end of the Offer Period.</p>
What is the Bidder's Statement?	<p>The Bidder's Statement is the document prepared by Mitr Phol which sets out the terms of the Offer (as required by the Corporations Act). Mitr Phol lodged its Bidder's Statement with ASIC on 2 December 2011. All MSF Shareholders should have recently received a copy of the Bidder's Statement in the post. The Bidder's Statement is also available on the ASX website at www.asx.com.au.</p>
What is this Target's Statement?	<p>This Target's Statement is the formal response by the Board of MSF to the Offer (as required by the Corporations Act).</p> <p>This document has been prepared by MSF and outlines important information about MSF, and your available choices as an MSF Shareholder, including how to accept the Offer and the recommendation of your Directors.</p>
What choices do I have as an MSF Shareholder?	<p>As an MSF Shareholder you have the choice to:</p> <ul style="list-style-type: none"> • accept the Offer for all of your MSF Shares; • sell all or part of your MSF Shares on ASX, which may be at a higher or lower price than the Offer Price. If you wish to sell all or some of your MSF Shares on ASX you should not accept the Offer in respect of those MSF Shares and should instruct your broker at the time you wish to sell; or • choose not to accept the Offer, in which case you do not need to take any action. <p>MSF Shareholders should carefully consider the Directors' recommendation and other important issues set out in this Target's Statement.</p> <p>For further information in relation to what choices you have as an MSF Shareholder, please refer to section 1 of this Target's Statement.</p>

Question	Answer
<p>What do your Directors recommend?</p>	<p>Your Directors recommend that you ACCEPT the Offer in the absence of a Superior Proposal.</p> <p>The reasons for your Directors' recommendation are detailed in section 3 of this Target's Statement.</p> <p>If there is a change in this recommendation or any material developments in relation to the Offer, MSF will lodge a supplementary target's statement.</p>
<p>How do I accept the Offer?</p>	<p>To accept the Offer, you must follow the instructions on page 1 of the Bidder's Statement and the enclosed Acceptance Form and section 2 of this Target's Statement.</p>
<p>How do I reject the Offer?</p>	<p>To reject the Offer, you do not need to do anything.</p> <p>However, you should note that the MSF Directors' recommendation is that you ACCEPT the Offer in the absence of a Superior Proposal.</p>
<p>What do the Directors intend to do with their MSF Shares?</p>	<p>Those Directors who hold or control MSF Shares intend to ACCEPT the Offer in respect of their personal shareholdings in MSF in the absence of a Superior Proposal.</p>
<p>What does the Independent Expert say?</p>	<p>The Independent Expert has concluded that the Offer is FAIR AND REASONABLE.</p> <p>A concise version of the Independent Expert's Report accompanies this Target's Statement as Annexure A. Shareholders may obtain a copy of the full Independent Expert's Report by contacting the Offer Information Line or by visiting MSF's website at www.msfsugar.com.au.</p>
<p>What is the Register Date?</p>	<p>The Register Date is 10.00am (AEDT) on 9 December 2011, being the date set by Mitr Phol pursuant to section 633(2) of the Corporations Act.</p> <p>The Offer relates to MSF Shares that exist or will exist as at the Register Date, and extends to any MSF Shares that are issued between that date and the end of the Offer Period as a result of the exercise of MSF Options or MSF Performance Rights.</p>
<p>When do I have to make a decision?</p>	<p>If you wish to follow the MSF Directors' recommendation and accept the Offer, you must do this before its scheduled closing date.</p> <p>Mitr Phol has stated that the Offer remains open until 7.00pm AEDT on 10 February 2012.</p> <p>It is possible that Mitr Phol may choose to extend the Offer Period in accordance with the Corporations Act (however, Mitr Phol is under no obligation to do so). In addition, the Offer Period may be extended automatically in certain circumstances. See section 7.12 of this Target's Statement for details of circumstances in which the Offer Period can be extended.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>

4 Frequently asked questions continued

Question	Answer
<p>What happens if I accept the Offer and a Superior Proposal is made for my Shares after I accept?</p>	<p>If you accept the Offer, you are only able to withdraw your acceptance in limited circumstances – which includes if Mitr Phol varies the Offer in a way that postpones for more than one month the time by which it has to meet its obligations under the Offer (for example, by extending the Offer Period for more than one month while it remains conditional).</p> <p>Accordingly, if you accept the Offer, you may be unable to accept a Superior Proposal if one arises. At this time, the Directors do not know if such an offer will arise.</p>
<p>Can I be forced to sell my MSF Shares?</p>	<p>You cannot be forced to sell your MSF Shares unless Mitr Phol proceeds to compulsory acquisition of MSF Shares. Mitr Phol will need to acquire at least 90% of MSF Shares (under the Offer or otherwise) in order to exercise compulsory acquisition rights. If Mitr Phol acquires more than 90% of all MSF Shares and proceeds to compulsory acquisition, then you will be paid the same consideration as is payable by Mitr Phol under the Offer (although you will have to wait until the compulsory acquisition process is finalised before receiving such consideration).</p> <p>For more information, see section 7.15 of this Target's Statement.</p>
<p>What are the tax implications of accepting the Offer?</p>	<p>A general description of the taxation treatment for certain MSF Shareholders accepting the Offer is set out in section 8 of this Target's Statement and section 8 of the Bidder's Statement. You should not rely on those descriptions as advice for your own affairs.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your MSF Shares.</p>
<p>Can I sell my MSF Shares on market?</p>	<p>You can sell all or some your MSF Shares on market unless you have accepted the Offer in respect of those MSF Shares. If you sell your MSF Shares on market:</p> <ul style="list-style-type: none"> • you will not benefit from any possible increase in the value of MSF Shares; • you will not benefit from any possible increase in the consideration that may be provided under the Offer or any other offer, should one be made; and • you may incur brokerage charges.

Question	Answer
<p>What are the Offer Conditions?</p>	<p>The conditions to the Offer (referred to in this Target's Statement as the "Offer Conditions") are as follows:</p> <ul style="list-style-type: none"> (a) Mitr Phol acquiring 50.1% of MSF Shares; (b) Mitr Phol receiving FIRB approval; (c) Mitr Phol receiving other required regulatory approvals (including Bank of Thailand approval); (d) there being no material breach by MSF of the "prohibited actions" clause of the Takeover Implementation Agreement; (e) there not occurring a Prescribed Occurrence in respect of MSF; (f) there being no material adverse change in respect of MSF; (g) no actions or applications being taken by a regulatory authority; (h) there being no untrue statements or documents filed by MSF with ASX or ASIC; and (i) except as fairly disclosed by MSF or otherwise known to Mitr Phol, no material change of control rights will be triggered as a result of the Offer being implemented. <p>The Offer Conditions are set out in more detail in section 7.5 of this Target's Statement and are set out in full in Annexure 2 of the Bidder's Statement.</p>
<p>What will happen if Mitr Phol increases the Offer Price?</p>	<p>If you accept the Offer and Mitr Phol subsequently increases the Offer Price and the Offer becomes unconditional, you will receive the increased consideration for your MSF Shares.</p>
<p>What happens if I accept the Offer and the Offer Conditions are not satisfied or waived?</p>	<p>If not all of the Offer Conditions are satisfied and Mitr Phol has not waived the outstanding Offer Conditions by the end of the Offer Period, your acceptance of the Offer will be void and of no effect whatsoever. You will then be free to deal with your MSF Shares in another way.</p> <p>If each of the Offer Conditions are satisfied or waived before the end of the Offer Period, you will be paid the Offer Price by Mitr Phol (see section 7 of this Target's Statement).</p> <p>Even where the Offer remains conditional, you cannot withdraw your acceptance before the end of the Offer Period except in limited circumstances (see section 7.11 of this Target's Statement).</p>
<p>When will I be paid if I accept the Offer?</p>	<p>If you accept the Offer, you may have to wait until the earlier of:</p> <ul style="list-style-type: none"> (a) 21 days after the Offer is validly accepted by you or, if the Offer is subject to an Offer Condition, within 21 days of the Offer becoming unconditional; and (b) 21 days after the end of the Offer Period, provided the Offer has become unconditional, before you will be paid.

4 Frequently asked questions continued

Question	Answer
Can I accept the Offer for only some of my Shares?	<p>No. You cannot accept the Offer for part of your holding. You may only accept the Offer for all of your MSF Shares.</p> <p>However, if you hold one or more parcel of MSF Shares as trustee or nominee, you may accept the Offer as if a separate offer had been made in relation to each of the parcels and any parcel you hold in your own right.</p>
What are Mitr Phol's intentions if they acquire less than 90%?	<p>Please refer to section 7 of the Bidder's Statement which sets out Mitr Phol's intentions.</p> <p>A general summary of Mitr Phol's intentions, as set out in its Bidder's Statement, is included in section 7.17 of this Target's Statement.</p>
Can Mitr Phol vary the Offer?	<p>Yes. Mitr Phol can vary the Offer by extending the Offer Period, increasing the Offer Price or waiving the Offer Conditions in accordance with the Corporations Act. However, Mitr Phol has no obligation to do so.</p>
Can Mitr Phol withdraw the Offer?	<p>Mitr Phol can only withdraw the Offer with the consent of ASIC.</p> <p>However, if the Offer closes and some or all of the Offer Conditions are not satisfied (and have not been waived by Mitr Phol), then the Offer will lapse and no acceptances will be processed.</p>
If I accept the Offer, can I withdraw at any time?	<p>If you accept the Offer you will be unable to withdraw your acceptance or accept any other bid for your MSF Shares unless either the Offer is unsuccessful, or if after you have accepted the Offer and while that Offer is still subject to Offer Conditions, Mitr Phol varies the Offer in a way that postpones for more than one month the time Mitr Phol has to meet its obligations under the Offer. If such an extension occurs in respect of the Offer, you will have an opportunity to withdraw your acceptance.</p> <p>If you accept the Offer and it becomes unconditional, you will be obliged to transfer your MSF Shares to Mitr Phol and you will receive the consideration for your MSF Shares based on the Offer Price.</p>
How can I get updates on the MSF Share price?	<p>If you have access to the internet, you can receive updates by visiting the ASX website at www.asx.com.au.</p>

5 Directors' recommendation and Directors' interests

5.1 Recommendation and intentions

In assessing the Offer, your Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement.

Based on this assessment and for the reasons set out in this Target's Statement (in particular those set out in section 3), the MSF Directors believe that the consideration offered by Mitr Phol of A\$4.45 per MSF Share represents fair value for your MSF Shares.

Each of your Directors recommends that you ACCEPT the Offer in the absence of a Superior Proposal.

Those Directors who hold MSF Shares intend to accept the Offer in respect of their personal shareholdings in MSF in the absence of a Superior Proposal. Those Directors (and their associates) collectively hold approximately 1.1% of all MSF Shares, and 0% in MSF Performance Rights and MSF Options (see sections 5.2 and 5.3 for more information on the respective shareholdings of the Directors).

5.2 Interests of Directors in securities in MSF

The number and description of securities in MSF in which each of the Directors has a Relevant Interest is set out in the table below.

Director	Number of MSF Shares	Number of MSF Performance Rights and MSF Options
James Jackson	300,000	Nil
John Burman	15,024	Nil
James Hesp	361,699	Nil
Craig Mills	Nil	Nil
William Moller	77,579	Nil
Sue Palmer	Nil	Nil

As at the date of this Target's Statement, each Director intends to **ACCEPT** the Offer in respect of their MSF Shares, in the absence of a Superior Proposal.

5.3 Dealings by Directors in MSF securities

There have been no acquisitions or disposals of securities in MSF by any Director in the four months ending on the day preceding the date of this Target's Statement.

5.4 Interests and dealings in Mitr Phol

Neither MSF nor any of the Directors has a Relevant Interest in securities of Mitr Phol or any Related Body Corporate of Mitr Phol.

There have been no acquisitions or disposals of securities in Mitr Phol or any Related Body Corporate of Mitr Phol by MSF, any associate of MSF, or any of the Directors in the four months ending on the day preceding the date of this Target's Statement.

5 Directors' recommendation and Directors' interests continued

5.5 Benefits to Directors

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any Director, secretary or executive officer in connection with the loss of, or their resignation from, their office.

MSF also has employment contracts with its Chief Executive Officer and certain senior executives. These contracts will require termination payments to be made by MSF if the employment agreements are terminated prior to the expiry of the respective terms, but no other termination payments are payable.

5.6 Conditional agreements

No agreement has been made between any of the Directors and any other person in connection with or conditional upon the outcome of the Offer.

5.7 Interests in contracts with Mitr Phol

No Director has any interest in any contract entered into by Mitr Phol.

5.8 Other interests of Directors

For further information in relation to other interests of the Directors of MSF, please refer to MSF's Annual Report for the period ended 31 December 2010.

6 Overview of MSF

6.1 Overview of MSF

MSF is an integrated sugar sector agricultural company based in Queensland which is listed on ASX. It is the only listed sugar producer and marketer on ASX. Over the past few years, MSF entered a dynamic new phase, restructuring and growing its assets as well as its influence in the Queensland and international sugar industry.

6.2 Current Operations

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



Growing

MSF has several investments in agricultural property and water rights which support its cane growing activities. MSF owns over 5,800 hectares of land consisting of almost 5,500 hectares in the Maryborough district, 60 hectares in the Isis district and 315 hectares in Far North Queensland. In 2011, MSF harvested approximately 180,000 tonnes of sugar cane from its own plantations and production is being continually enhanced to improve yields and tonnage.

MSF sources the majority of its sugar cane from independent grower suppliers. In 2011, MSF sourced over 2,553,000 tonnes of sugar cane from over 630 independent growers. MSF maintains close relationships with its grower suppliers and provides technical, financial and risk management assistance.

Milling

Following the acquisition of 100% of the Northern Milling Joint Venture in April 2011, MSF is the 100% owner of four sugar mills:

- the Maryborough Sugar Factory, located in the southern region of Queensland (in Maryborough, approximately 270 kilometres north of Brisbane);
- the Mulgrave Mill, located in Far North Queensland (in Gordonvale, approximately 25 kilometres south of Cairns);
- the South Johnstone Mill, located near Innisfail in Far North Queensland (approximately 100 kilometres south of Cairns). This mill was acquired from Bundaberg Sugar Ltd in April 2011; and
- the Tableland Mill, located near Mareeba in Far North Queensland (approximately 60 kilometres west of Cairns). This mill was also acquired from Bundaberg Sugar Ltd in April 2011.

These four mills have cane crushing capacity of approximately 4.7 million tonnes per annum and are capable of producing approximately 550,000 tonnes of raw sugar and 140,000 tonnes of molasses each year. The coastal mills in Far North Queensland are supported by a MSF owned and operated cane rail network and cane transport operations that ensures efficient transport of cane from farm to the mill during the crushing season.

Logistics

MSF is fully integrated across the raw sugar value chain and has key relationships with shipping companies allowing efficient transport of sugar to customers. In addition, MSF holds a strategically important direct interest (approximately 13% direct shareholding) in Sugar Terminals Limited ("STL"). STL is the owner of bulk sugar terminals located in Queensland.

Marketing

MSF is the only Australian sugar miller with direct export customer relationships with key customers in the region. Raw sugar produced at the mills is sold predominantly into the rapidly growing Asian markets. MSF has continued to build its commercial relationships with key customers in Japan, Malaysia, Korea, China and Indonesia.

6 Overview of MSF continued

MSF has well-established pricing and market risk management programs, which are managed by an in-house marketing team and supported by a defined risk framework. This allows MSF to offer a range of price, risk management, marketing and finance services to support its growers.

6.3 MSF's strategy and objectives

MSF's core strategy is to have an integrated sugar business from farm to market. To achieve this, MSF's objectives are to:

- (a) continue to invest in cane farming operations;
- (b) operate globally cost competitive sugar mills;
- (c) produce raw sugar of a high quality to meet customer requirements and develop sound commercial relationships with those customers;
- (d) build capabilities to independently manage its sugar marketing and pricing activities;
- (e) participate in regional industry investment in terminal facilities resulting in cost competitive storage and handling arrangements for industry participants and optimal utilisation of these facilities;
- (f) develop business relationships with regional industry participants that will benefit MSF, its suppliers and customers; and
- (g) be a significant contributor to renewable energy requirements into the future.

6.4 MSF financial information and forecasts

Results for the six months to 30 June 2011

On 18 August 2011, MSF released its half year results which are contained in the Appendix 4D MSF Half Year Report for the period ended 30 June 2011 disclosing a net after tax loss of A\$6.1 million. The loss before tax was A\$15.5 million. If you do not have a copy of this release, it is available on the ASX website at www.asx.com.au (under the company code "MSF").

Outlook for the full year ending 31 December 2011

In its ASX announcement dated 18 August 2011 (released on the same day as the Appendix 4D noted above), MSF provided an estimated range of normalised EBITDA for the full year ending 31 December 2011 of A\$7 million to A\$11 million (excluding the non-recurring costs in connection with the acquisition by MSF of the assets from Bundaberg Sugar Ltd in April 2011, being the non-recurring income item of A\$16.2 million for the discount on acquisition of assets and A\$8 million of non-recurring expenses relating to stamp duty and acquisition-related transaction costs together with other restructuring costs). The MSF Board currently expects that MSF's normalised EBITDA for the year ending 31 December 2011 will be in the range of A\$7 million to A\$8 million (in part because MSF has achieved a crush for the relevant period of 2.735 million tonnes, down from the cane crushing estimate for the period of 2.9 million tonnes as announced on 18 August 2011).

The transaction-related expenses to be incurred by MSF in relation to the Offer are excluded from the normalised EBITDA information (and non-recurring exclusions) noted above. These transaction-related expenses (assuming Mittr Phol acquires at least 50.1% of all MSF Shares and the Offer becomes unconditional) are forecast to be approximately A\$6 million (of which at least A\$1 million will be incurred prior to 31 December 2011). If all of these transaction-related expenses are incurred prior to 31 December 2011, MSF expects reported EBITDA for the full year ending 31 December 2011 will be between A\$9 million and A\$10 million. Please refer to section 9.6 for further information in relation to the transaction-related expenses MSF will incur in relation to the Offer which will have a negative impact on the after tax earnings of MSF in the current financial year ending December 2011 or year ending December 2012, depending on when these transaction-related expenses are incurred.

Please also refer to section 9.2 for further information in relation to the potential impact on MSF's financing facilities should certain of these transaction-related expenses become due and payable by MSF prior to 31 December 2011.

6.5 Share price information

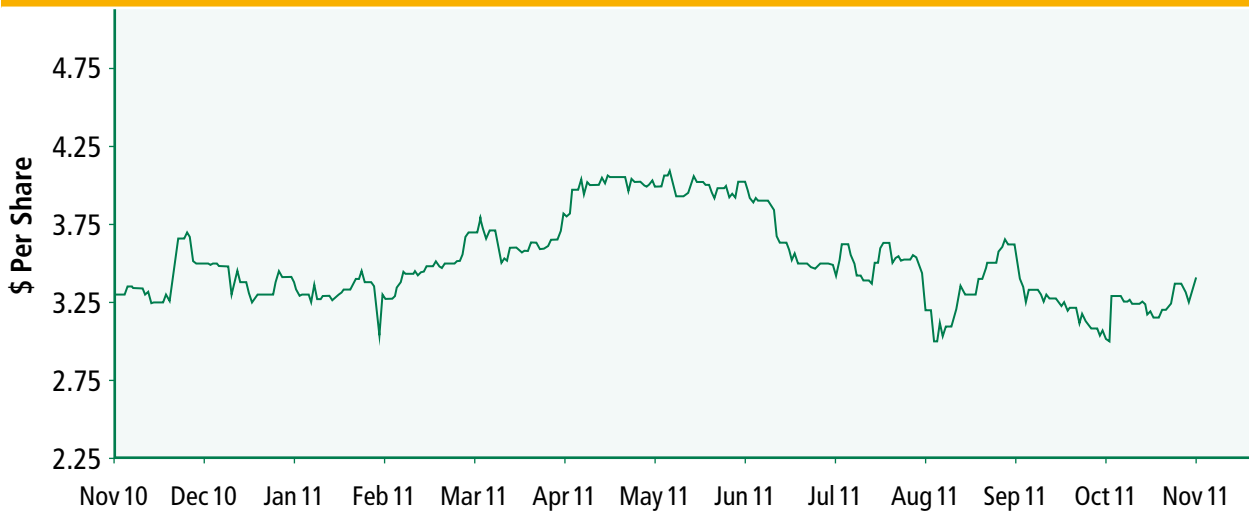
The closing price of MSF Shares on ASX on 4 November 2011, being the last full trading day prior to the Announcement Date, was A\$3.40.

The closing price of MSF Shares on ASX on 15 November 2011, being the last full trading day prior to the Bid Announcement Date, was A\$4.41.

MSF Shares have traded on ASX in the range of A\$4.34 and A\$4.52 between 9 November 2011 (the date on which the proposed Offer was announced) and 9 December 2011 (the last practicable date prior to the finalisation of this Target's Statement). The closing share price on 9 December 2011 was A\$4.47.

The following graph sets out the share price of MSF Shares on ASX for the 12 months to 4 November 2011.

Chart 4: Historical MSF share price prior for 12 months to 4 Nov 2011



6.6 Dividends

MSF has paid the following dividends in the last two financial years:

- (a) for the six month period ended 31 December 2010 – 2.5 cents per MSF Share;
- (b) for the twelve month period ended 30 June 2010 – 6.5 cents per MSF Share, comprising:
 - (i) an interim dividend of 2.5 cents per MSF Share; and
 - (ii) a final dividend of 4.0 cents per MSF Share.

MSF did not declare a dividend for the six month period ended 30 June 2011.

6.7 Capital structure

The total number of securities in MSF as at the date of this Target's Statement is as follows:

Class of security	Total
MSF Shares	69,248,422
Options (MSFAO)*	560,000
Options (MSFAQ)*	200,000
Performance Rights*	335,149
Total	70,343,571

* Issued under the MSF Options and Performance Rights Plan.

6 Overview of MSF continued

6.8 Substantial shareholders

The only substantial shareholder with voting power of more than 5% of MSF Shares recorded as at the date of this Target's Statement is Mitr Phol. Details of Mitr Phol's holdings are below.

Shareholder	Number of MSF Shares	% held ²
Mitr Phol (and its associates)	15,239,058	22.01

² Based on 69,248,422 MSF Shares.

6.9 Directors of MSF

The Directors of MSF as at the date of this Target's Statement are:

Name	Position
Mr James Jackson	Chairman, Independent Director
Dr John Burman	Independent Director
Mr James Hesp	Independent Director
Mr Craig Mills	Independent Director
Mr William Moller	Independent Director
Ms Sue Palmer	Independent Director

The profiles of each Board member are detailed below:

Name	Profile
<p>Mr James Jackson Chairman, Independent Non-executive Director B Com (UQ), FAICD Age: 49</p>	<p>Mr Jackson was appointed a Director in June 2004 and became Chairman in August 2008. Mr Jackson is also Chairman of the Market Risk Committee and a member of the Nomination and Remuneration Committee.</p> <p>Mr Jackson completed the Program for Management Development at Harvard Business School. He has previously held the positions of non-executive director of North Pine Motors Pty Ltd and Management Committee Member of Richmond Landcare Inc.</p>
<p>Dr John Burman Independent Non-executive Director BE (Hons I) (UNSW), PhD (London), GAICD Age: 64</p>	<p>Dr Burman was appointed a Director in June 2005. He is Chairman of the Nomination and Remuneration Committee, and a member of the Compliance Committee and the Market Risk Committee.</p>
<p>Mr James Hesp Independent Non-executive Director FAICD Age: 71</p>	<p>Mr Hesp was appointed a Director in July 2008. He is a member of the Nomination and Remuneration Committee and a member of the Market Risk Committee.</p> <p>Mr Hesp is currently a Director of the Australian Sugar Milling Council and Sugar North Limited.</p>

Name	Profile
<p>Mr Craig Mills Independent Non-executive Director Dip App Sc (UWS), B Bus (CSU), EMBA (MBS), FAICD Age: 54</p>	<p>Mr Mills joined the Board in October 2011 and is a member of the Audit Committee and the Market Risk Committee.</p> <p>Mr Mills is the former Chief Executive Officer of Golden Circle Limited and has more than 25 years' experience in the food industry domestically and internationally, including with Dairy Farmers, Mars and Nestlé. He is also a Director of the Peanut Company of Australia Limited and AIW Printing Pty Ltd.</p>
<p>Mr Brett Moller Independent Non-executive Director BA (ANU), LLB (QUT), MAICD Age: 50</p>	<p>Mr Moller was appointed a Director in July 2008. He is Chairman of the Compliance Committee and a member of the Audit Committee.</p> <p>Mr Moller is a Partner in the Far North Queensland regional law firm Marino Moller Lawyers, and is a Director of the State Board of Chamber of Commerce & Industry Queensland and serves as Chairman of its Far North Queensland Regional Council.</p>
<p>Ms Sue Palmer Independent Non-executive Director B Com (UQ), CA, FAICD Age: 54</p>	<p>Ms Palmer was appointed a Director in April 2008. Ms Palmer is Chairman of the Audit Committee and is a member of the Compliance Committee.</p> <p>Ms Palmer is Chief Financial Officer and an Executive Director of Thiess Pty Ltd.</p> <p>Ms Palmer was a Director of the Port of Brisbane Corporation for almost five years and was previously deputy chair of the Queensland Competition Authority and a Director of the Royal Blind Foundation.</p>

7 Key features of the Offer and important matters

7.1 The Offer

On 16 November 2011, MSF and Mitr Phol announced Mitr Phol's intention to make the Offer, being an all cash off-market takeover offer to acquire all the outstanding MSF Shares not controlled by Mitr Phol.

The consideration being offered to you under the Offer is A\$4.45 cash per MSF Share for all of the MSF Shares you hold.

Further details regarding the terms and conditions of the Offer are set out below and in section 2 of the Bidder's Statement. The full terms and conditions of the Offer are set out in section 10 of the Bidder's Statement.

7.2 Payment terms

No payment for the MSF Shares tendered into the Offer will be made until after the Offer becomes unconditional. If the Offer becomes unconditional, you will be paid under the Offer by the earlier of:

- 21 days after the date of your acceptance of the Offer or, if the Offer is subject to an Offer Condition when you accept the Offer, within 21 days after the contract resulting from your acceptance of the Offer becoming unconditional; and
- 21 days after the end of the Offer Period.

See section 2.8 of the Bidder's Statement for further details on when you will be sent your payment from Mitr Phol.

7.3 Mitr Phol's funding of the Offer

Mitr Phol's Offer is a 100% cash offer and the Offer Price is A\$4.45 per MSF Share.

In section 6.4 of the Bidder's Statement, Mitr Phol states that it will be able to obtain the funds necessary to pay the maximum consideration to settle acceptances under the Offer and all associated transaction costs through internal borrowings, which are in turn funded through its existing loan facilities.

Further details of those facilities and the particulars of the internal borrowings are set out in sections 6.5 to 6.11 of the Bidder's Statement.

7.4 Offer Period

The Offer Period commences on 12 December 2011 and ends at 7.00pm (AEDT) on 10 February 2012, subject to any extension in accordance with the Corporations Act.

7.5 Offer Conditions

MSF Shareholders should note that the Offer is subject to a minimum acceptance condition of 50.1% and that the Offer will lapse unless this and the other Offer Conditions are either satisfied or waived prior to the end of the Offer Period.

As at the date of this Target's Statement, MSF is not aware of any of the Offer Conditions having been breached.

The Offer Conditions are as follows:

- (a) **(50.1% minimum acceptance condition)** during, or at the end of, the Offer Period, the number of MSF Shares in which Mitr Phol and its associates together have Relevant Interests (disregarding any Relevant Interest that Mitr Phol has merely because of the operation of section 608(3) of the Corporations Act) is at least 50.1% of all the MSF Shares;
- (b) **(FIRB approval)** prior to the end of the Offer Period, either:
 - (i) Mitr Phol receives written advice from the Treasurer of the Commonwealth of Australia (or his delegate) that there are no objections under Australia's foreign investment policy to the Offer and such advice is either unconditional or, if conditional, on the basis of conditions that impose only non-material requirements; or
 - (ii) following notice of the Offer having been given by Mitr Phol to the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cwlth), the Treasurer has ceased to be empowered to make any order under Part II of that Act because of lapse of time;

- (c) **(other regulatory approvals)** before the end of the Offer Period, all regulatory approvals (including the approval of the Bank of Thailand in respect of the Offer and its financing) that are required by law or by any regulatory authority as are necessary to permit:
- (i) the Offer to be lawfully made to, and accepted by, MSF Shareholders;
 - (ii) any transaction contemplated by the Offer to be completed; and
 - (iii) the continued operation of the business of MSF and its subsidiaries or of Mitr Phol and its subsidiaries, are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all material respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same. In each case on an unconditional basis or on the basis of conditions that impose only non-material requirements incidental to the approvals set out in this Offer Condition and, at the end of the Offer Period, all of those regulatory approvals remain in full force and effect in all material respects and are not subject to any notice or indication of intention to remove, suspend, restrict, modify or not renew those regulatory approvals;
- (d) **(no termination)** between the Announcement Date and the end of the Offer Period, there is no material breach by MSF of the "prohibited actions" clause (being clause 7.3) of the Takeover Implementation Agreement;
- (e) **(no Prescribed Occurrence)** a Prescribed Occurrence does not occur in respect of MSF during the Offer Period;
- (f) **(no Material Adverse Change)** a Material Adverse Change does not occur in the period between the Announcement Date and the end of the Offer Period;
- (g) **(no actions of regulatory authorities)** between the Announcement Date and the end of the Offer Period:
- (i) there is not in effect any preliminary or final decision, order or decree issued by a regulatory authority;
 - (ii) no action or investigation is announced, commenced or threatened by any regulatory authority; and
 - (iii) no application is made to any regulatory authority (other than by Mitr Phol or any of its associates) or commenced by a regulatory authority,
- in consequence of or in connection with the Offer (other than application, decision or order made under, or relating to a breach of, Chapters 6, 6A, 6B or 6C of the Corporations Act or unacceptable circumstances for the purposes of the Corporations Act), which:
- (iv) restrains or prohibits or impedes, or threatens to restrain, prohibit or impede, or otherwise materially adversely impacts on, the making of the Offer, the acquisition of MSF Shares by Mitr Phol under the Offer, the rights of Mitr Phol in respect of its capacity as a Shareholder of MSF or the completion of any transaction contemplated by the Offer; or
 - (v) seeks to require the divestiture by Mitr Phol of any MSF Shares or any material assets of MSF or its subsidiaries;
- (h) **(no untrue statements)** between the Announcement Date and the end of the Offer Period, Mitr Phol does not become aware that any document filed by or on behalf of MSF, with ASX or ASIC, contains a statement which is incorrect or misleading in any material particular or from which there is a material omission; and
- (i) **(no change of control rights)** except as fairly disclosed in information provided by MSF to Mitr Phol or its representatives, or is otherwise known to Mitr Phol or its representatives on or prior to the Bid Announcement Date or otherwise disclosed in public filings by MSF with ASIC or provided to ASX on or prior to the Bid Announcement Date, between the Bid Announcement Date and the end of the Offer Period (each inclusive), as a result (directly or indirectly) of the acquisition or proposed acquisition of any MSF Shares by Mitr Phol, no person becomes entitled to exercise, exercises, purports to exercise or states an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), any rights under any provision of any agreement or other instrument to which MSF or any of its subsidiaries is a party or by or to which MSF or any of its subsidiaries or any of their assets is bound, which results, or could reasonably be expected to result in:

7 Key features of the Offer and important matters continued

7.9 Offer conditions continued

- (i) the termination or amendment of any material contractual relationship between any person and MSF or any of its subsidiaries (for this purpose, amendment includes an amendment, alteration or change as a result of the operation of an agreement or instrument, whether or not that altered operation is provided for under the existing terms of the contract or agreement);
 - (ii) a requirement to terminate, modify or dispose of, or agree to terminate, modify or dispose of, any material interest or asset of MSF or any of its subsidiaries (or any arrangements relating to such an interest or asset); or
 - (iii) the acceleration of the performance of, or adverse modification of, any obligation of MSF or any of its subsidiaries under any material agreement, lease, instrument or other legal arrangement,
- and, in each case, have a material adverse effect on the business, assets, financial condition, operations, reputation or prospects of the MSF Group.

7.6 Consequences of the Offer Conditions not being satisfied

You should be aware that, even if the Offer Conditions are not satisfied (or are triggered, as appropriate), they may be waived by Mitr Phol.

If any Offer Condition is unsatisfied (or has been triggered), and has not been waived, Mitr Phol will have an option as to whether to proceed with the acquisition of MSF Shares under its Offer or allow its Offer to lapse with unsatisfied Offer Conditions.

7.7 Status of the Offer Conditions

Section 10.44 of the Bidder's Statement states that Mitr Phol will give a notice of the status of the Offer Conditions on 3 February 2012. Mitr Phol is required to set out in its notice of the status of the Offer Conditions:

- whether the Offer is free of any or all of the Offer Conditions;
- whether, so far as Mitr Phol knows, any of the Offer Conditions have been fulfilled; and
- Mitr Phol's voting power in MSF at that time.

If the Offer Period is extended before the notice on the status of the Offer Conditions, the date Mitr Phol must give its notice of the status of the Offer Conditions will be taken to be postponed for the same period. In the event of such extension, Mitr Phol is required, as soon as reasonably practicable after the extension, to notify ASX and MSF of the new date for giving the notice of the status of the Offer Conditions.

In addition, if an Offer Condition is fulfilled during the Offer Period but before the date on which the notice of the status of the Offer Conditions is required to be given, Mitr Phol must, as soon as practicable, give ASX and MSF a notice which states that a particular Offer Condition has been fulfilled.

7.8 Withdrawal of the Offer

Mitr Phol may withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent. See sections 10.50 to 10.52 of the Bidder's Statement for further information.

7.9 Effect of acceptance of the Offer

The effect of acceptance of the Offer is set out in detail in section 10.34 of the Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your MSF Shares and the representations and warranties that you are deemed by Mitr Phol to give to it by accepting the Offer.

Accepting Mitr Phol's Offer (even while the Offer is conditional) would (subject to the withdrawal rights discussed below):

- prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the MSF Board;

- relinquish control of your MSF Shares to Mitr Phol with no guarantee of payment until the Offer becomes, or is declared, unconditional;
- give Mitr Phol the choice to keep your MSF Shares and issue you the Offer Price (by waiving the Offer Conditions) or allow the Offer to lapse in the event that the Offer Conditions are not satisfied; and
- prevent you from selling your MSF Shares on ASX.

7.10 Superior Proposal

If you accept the Offer, you may forfeit the opportunity to benefit from any better offer made by another bidder for your MSF Shares, if such an offer eventuates.

MSF is not aware of any other takeover offer or other proposal which may be made or announced in respect of MSF. Should another takeover offer or other proposal be announced during the Offer Period, MSF will issue a supplementary target's statement to MSF Shareholders.

7.11 Withdrawal of your acceptance of the Offer

If you accept the Offer, you will be able to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, you may withdraw your acceptance of the Offer if Mitr Phol varies its Offer in a way that postpones, for more than one month, the time when Mitr Phol needs to meet its obligations under the Offer and the Offer is still subject to the Offer Conditions.

In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

If Mitr Phol improves the Offer Price, all MSF Shareholders who accept the Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved Offer Price.

7.12 Extension of the Offer Period

Mitr Phol may extend the Offer Period at any time before the end of the Offer Period at its discretion for a period of up to one month. Mitr Phol has no obligation to voluntarily extend the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- Mitr Phol improves the Offer Price under the Offer; or
- Mitr Phol's voting power in MSF increases to more than 50%.

If either of these two events occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

7.13 Improvement in the Offer Price

If Mitr Phol improves the consideration offered under the Offer by increasing the Offer Price, all MSF Shareholders (whether or not they have accepted the Offer before that occurs) will be entitled to the benefit of the increased Offer Price. However, this improvement in consideration would not be available to MSF Shareholders who have already sold their MSF Shares on ASX.

7.14 Liquidity of MSF Shares

If Mitr Phol acquires a majority but not all of the MSF Shares, the number of MSF Shares traded on ASX could be significantly reduced. Under those circumstances, MSF Shareholders who do not accept the Offer run the risk of being minority Shareholders in a company with reduced share trading liquidity. This factor may affect the market price for MSF Shares and reduce the price that MSF Shareholders could subsequently realise for their MSF Shares.

7 Key features of the Offer and important matters continued

7.15 Compulsory acquisition

Mitr Phol will be able to compulsorily acquire any outstanding MSF Shares for which it has not received acceptances on the same terms as the Offer, if, during, or at the end of, the Offer Period, Mitr Phol (taken together with its associates):

- has a Relevant Interest in at least 90% (by number) of the MSF Shares; and
- has acquired at least 75% (by number) of the MSF Shares for which it has made offers under the Offer.

If these thresholds are met, Mitr Phol will have one month from the end of the Offer Period within which to give compulsory acquisition notices to MSF Shareholders who have not accepted the Offer. The consideration payable by Mitr Phol will be the Offer Price last offered under the Offer.

If Mitr Phol does not become entitled to compulsorily acquire MSF Shares in accordance with the above procedures, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act.

MSF Shareholders may challenge any compulsory acquisition, but this would require the relevant MSF Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for the MSF Shares. If MSF Shares are compulsorily acquired, MSF Shareholders are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

Mitr Phol has indicated in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding MSF Shares, it intends to do so.

MSF Shares issued upon exercise of MSF Options or MSF Performance Rights

If Mitr Phol proceeds to compulsory acquisition:

- Mitr Phol must acquire the MSF Shares issued on exercise of MSF Options or MSF Performance Rights before the end of the Offer Period;
- Mitr Phol may elect to acquire the MSF Shares issued on exercise of MSF Options or MSF Performance Rights after the Offer Period has expired but before the compulsory acquisition notice is issued; and
- Mitr Phol may elect to acquire the MSF Shares issued on exercise of MSF Options or MSF Performance Rights within 6 weeks after the compulsory acquisition notice is issued.

Please refer to sections 2.14 and 9.27 to 9.30 of the Bidder's Statement for further information.

MSF Options

If Mitr Phol and its associates achieve a Relevant Interest in at least 90% of MSF Shares by the end of the Offer Period, optionholders will have the right to have their MSF Options bought by Mitr Phol for fair value under Division 3 of Part 6A.1 of the Corporations Act.

7.16 Effect of the Offer on MSF Options and Performance Rights

The Offer extends to any MSF Shares issued during the Offer Period on the exercise of MSF Options or MSF Performance Rights. If you hold MSF Options or MSF Performance Rights, you will need to exercise them before you can participate in the Offer.

Under the terms of the MSF Options and Performance Rights Plan, if, pursuant to a takeover bid or otherwise, any person (together with its associates) acquires MSF Shares which, when aggregated with MSF Shares already acquired by that person (or its associates), comprise more than 50% of the issued share capital of MSF, a holder of MSF Options or MSF Performance Rights may exercise its rights in respect of those MSF Options or MSF Performance Rights (as applicable) within a stated period from the last date when any of the MSF Shares were acquired. The MSF Board must notify the relevant holders of that period.

If Mitr Phol acquires a Relevant Interest in more than 50% of MSF Shares and declares its Offer unconditional, the MSF Board intends to give notice that participants in the MSF Options and Performance Rights Plan may exercise their rights within a specified period from the date of the notice, or such other period as the MSF Board may determine having regard to the date upon which the Offer Period is scheduled to close to enable those participants sufficient time to accept the Offer in respect of the MSF Shares that will be issued following the exercise of those MSF Options or MSF Performance Rights.

Holders of MSF Options or MSF Performance Rights who exercise their rights during that period will be issued with MSF Shares in accordance with the terms of the MSF Options and Performance Rights Plan, and will be entitled to accept the Offer in respect of those MSF Shares prior to the end of the Offer Period.

If Mitr Phol becomes entitled to compulsorily acquire MSF Shares in accordance with the Corporations Act, and a holder of MSF Options or MSF Performance Rights has not exercised their rights as detailed above, that holder may exercise his or her rights within one month of the date upon which Mitr Phol became entitled to exercise those compulsory acquisition rights and any MSF Shares issued upon such exercise will be acquired by Mitr Phol through the compulsory acquisition process. If a holder does not exercise those rights within that period, those rights will lapse unless otherwise acquired by Mitr Phol through the compulsory acquisition process. Please refer to sections 9.27 to 9.30 of the Bidder's Statement for further information.

Mitr Phol may also elect to make private treaty offers to holders of MSF Options or MSF Performance Rights. This will be a matter for Mitr Phol and the relevant holder of the MSF Option or MSF Performance Right and it should be noted that Mitr Phol has not committed to making private treaty offers to holders of MSF Options or MSF Performance Rights. If such an election is made, these private treaty offers will be for a cash amount equal to the Offer Price less the exercise price of the relevant MSF Option or MSF Performance Right (if any), subject to the Offer becoming or being declared unconditional.

7.17 Mitr Phol's intentions

Section 7 of the Bidder's Statement sets out Mitr Phol's intentions in respect of the business and operations of MSF, if Mitr Phol acquires control of MSF.

The following is a summary of those intentions. MSF Shareholders should be aware that Mitr Phol has stated that final decisions on the matters set out in section 7 of the Bidder's Statement will only be reached in light of all material facts and circumstances (including the commercial, operational, financial and taxation implications of any decision) at the relevant time. Accordingly, the statements made by Mitr Phol in section 7 of the Bidder's Statement (as summarised below) are statements of Mitr Phol's current intentions only which may change as new information becomes available or as circumstances require.

Section 7.12 of the Bidder's Statement states that it is the present intention of Mitr Phol (based on the information presently available to it and except to the extent set out in the Bidder's Statement) to:

- continue the business of MSF in substantially the same manner as it is presently being conducted;
- not to make any major changes to the business of MSF (including the redeployment of the fixed assets of MSF); and
- continue the employment of MSF's present employees in accordance with their current terms.

Mitr Phol's intentions upon becoming entitled to compulsorily acquire MSF Shares

If Mitr Phol becomes entitled to compulsorily acquire all outstanding MSF Shares, then it intends to exercise its rights of compulsory acquisition in respect of MSF Shares, any MSF Shares issued on the exercise of MSF Options and MSF Performance Rights and any MSF Options and MSF Performance Rights not exercised by holders of such MSF Options and MSF Performance Rights or otherwise acquired by Mitr Phol under private treaty offers.

Mitr Phol intends to arrange for MSF to be removed from the Official List of ASX if it proceeds to compulsory acquisition.

Mitr Phol intends to conduct a detailed review of MSF's assets, strategy, operations and employees to evaluate performance, profitability and prospects. This review will apply quantitative and qualitative factors to measure performance and identify areas for improvement. Following this review, Mitr Phol may re-formulate its business strategy.

7 Key features of the Offer and important matters continued

7.17 Mitr Phol's intentions continued

Subject to this review, Mitr Phol intends to:

- seek to actively grow MSF's business and support MSF's management and employees to achieve this objective through a number of initiatives;
- prioritise initiatives with cane growers that promote and support a strong relationship between MSF and cane growers;
- continue the employment of MSF's employees and for MSF to continue to be managed wherever possible by MSF's existing management team;
- investigate potential operational improvements at MSF's mills, including efficiency improvements and other initiatives to improve mill performance;
- retain MSF's head office in Queensland as a base for future expansion of MSF's operations;
- maintain MSF's existing marketing and trading arrangements and seek to leverage Mitr Phol's marketing expertise and relationships to expand MSF's reach in the Asian markets in which both MSF and Mitr Phol operate;
- seek to lower MSF's carbon footprint throughout the supply chain;
- continue MSF's local community activities; and
- consider an appropriate board structure for MSF, which is likely to include the appointment of nominees of Mitr Phol and may include the replacement of existing MSF Directors.

For further details on Mitr Phol's intentions should it be entitled to proceed to compulsory acquisition, please refer to sections 7.6 to 7.10 of the Bidder's Statement.

Mitr Phol's intentions for MSF as a partly-owned subsidiary of Mitr Phol

If Mitr Phol does not become entitled to compulsorily acquire all outstanding MSF Shares and, consequently, MSF is a controlled but not wholly-owned entity of Mitr Phol, Mitr Phol intends (to the extent it is able having regard to its then current holding which may depend upon whether or not Mitr Phol elects to waive its 50.1 minimum acceptance condition) to:

- undertake the detailed review of MSF's assets, strategy, operations and employees as outlined above;
- maintain MSF's listing on ASX provided it meets ASX's requirements for maintaining a listing;
- subject to the Corporations Act and MSF's constitution, seek to appoint its nominees to the MSF Board in such proportion as reflects its shareholding in MSF but in all circumstances, constituting a majority of the MSF Board (by making additional appointments to the MSF Board and/or replacing existing MSF Directors);
- continue the employment of MSF's present employees in accordance with their current terms of employment (assuming those terms of employment are standard and commercially reasonable);
- review the dividend policy of MSF having regard to any capital funding and ongoing operational requirements of MSF on the one hand and the appropriateness of paying dividends to shareholders on the other; and
- exercise its rights of compulsory acquisition should it become entitled to in the future.

For further details on Mitr Phol's intentions in this situation, please refer to section 7.11 of the Bidder's Statement.

7.18 Other key risks

In addition to the risks and important issues described in this section, the following are other key risks that MSF Shareholders should consider in assessing whether to accept the Offer or maintain an investment in MSF in the present circumstances.

Risk factors associated with holding MSF Shares

There are risks which are specific to MSF and other risks which apply to investments generally which may materially and adversely affect the future operating and financial performance of MSF and the value of MSF Shares. Those (and other risks) could cause MSF's performance to differ materially from the forecasts included or referred to in this Target's Statement. Many of these risks are outside the control of MSF and the Directors.

(a) Possible future trading range for MSF Shares

MSF Shares may trade on ASX at higher or lower prices than the Offer Price, including during the Offer Period. MSF Shareholders who decide to sell their MSF Shares or accept the Offer may not receive the amount of their original investment. There can be no guarantee that an active market in MSF Shares will continue following the Offer or that the price of MSF Shares will increase.

If the Offer lapses, MSF Shares may trade at a price below the current market prices or below the Offer Price. The MSF Directors are not in a position to speculate on the future trading price of MSF Shares if the Offer lapses, or to guarantee any particular share price. The future price of MSF's Shares is dependent not only on MSF's performance, but also on external market and other factors outside MSF's control.

(b) Economic conditions

The operating and financial performance of MSF is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on MSF's business or financial condition.

In particular, the market prices for many listed entities have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-entity specific influences such as global hostilities and tensions, acts of terrorism, investor sentiment and the general state of the economy. The global financial crisis has severely impacted the world economy with both positive and negative effects on the sugar industry. While there has been volatility in equity, commodity, financial and currency markets, the overall demand for traded sugar has continued to increase due to global supply constraints and rising global demand. Such sugar market fluctuations may materially adversely (or beneficially) affect, the market price of MSF Shares, along with the value of other sugar companies who sell into the world market, including Mitr Phol.

Specific risks pertaining to the sugar industry

The businesses of MSF and Mitr Phol are dependent to some degree on the economic cycles of the sugar industry in which they and their customers and suppliers operate. Specifically, the sugar industry often experiences some (and sometimes considerable) degree of cyclical change. In the event that this industry experienced a severe cyclical downturn then the operating results of MSF (whether or not controlled by Mitr Phol) could be impacted negatively.

There are certain risks that are common to most companies involved in the sugar industry. The existing businesses of MSF and Mitr Phol are exposed to these risks, and MSF as a controlled entity of Mitr Phol would be similarly exposed. These risks include:

(a) Sugar prices

Fluctuations in sugar prices affect companies involved in the sugar industry. Sugar prices are highly sensitive to changes in supply, which are influenced by factors such as consumer demand, climatic uncertainties, currency fluctuations, competition and changes in foreign trade policies.

(b) Variations in crop sizes

Variations in crop sizes can influence the financial performance of companies involved in the sugar industry. Crop sizes are affected by various uncertainties including weather conditions, pests, crop disease and farm management decisions by growers.

7 Key features of the Offer and important matters continued

7.18 Other key risks continued

(c) General changes to laws and regulations

General changes to laws and regulations may have a material adverse effect on companies involved in the sugar industry.

(d) Operational risks

Companies involved in the sugar industry are also subject to various operational risks including machinery breakdown, systems failure, extreme weather (such as cyclones, floods, drought and frost), fire, pests, diseases, supply issues, workplace disputes and environmental obligations.

Risks relating to the Offer

In addition to the other important matters set out in section 7 of this Target's Statement, there are some risks relating to the Offer. These risks are most relevant to those MSF Shareholders who do not accept the Offer and remain a shareholder of MSF.

(a) Less than 100% ownership

It is possible that Mitr Phol will acquire less than 100% of MSF Shares under the Offer. The impact on Mitr Phol of acquiring less than 100% of MSF Shares will depend on the level of ownership acquired. Mitr Phol may not be able to implement all of its intentions for MSF if it acquires less than 100% of MSF Shares.

(b) Integration risks

The MSF and Mitr Phol businesses have previously operated independently and to some extent it is intended at this stage that they will continue to operate independently.

There are a number of issues and risks associated with integrating businesses, including the following:

- successful integration requires a commitment of management resources, which may affect the performance of MSF in the short to medium term;
- effective communication is critical to avoid the loss of suppliers, employees and other important stakeholders;
- integration and cultural change invariably take longer and are more problematic than foreseen; and
- growth often requires additional management resources.

(c) Minority shareholders in MSF

If you do not accept the Offer and the Offer becomes unconditional you may, depending on the level of acceptance of the Offer, become part of a locked-in minority in MSF. In such a case, the liquidity of MSF Shares may be materially diminished. See section 7.14 of this Target's Statement for further information.

(d) Potential impact on MSF's financing arrangements

Under MSF's financing arrangements, MSF has certain notification and other obligations in the event there is or is likely to be a change in control of MSF. Further details of MSF's financing arrangements, and the potential impact of the Offer on those arrangements, is set out in section 9.2 of this Target's Statement. If certain confirmations or waivers are not obtained from the financiers under the financing arrangements in connection with the Offer, a "Default" may be triggered under the financing arrangements. Upon the occurrence of a "Default", in the absence of a waiver by the financiers, the financiers can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect. If this occurs, this may have an adverse effect on MSF.

(e) Change of control rights under material contracts

MSF (and certain of its subsidiaries) is party to a number of material contracts which include change in control provisions which may be triggered if Mitr Phol is successful in acquiring control of MSF. Further details of the material contracts which include change of control provisions are set out in section 9.3 of this Target's Statement. In the absence of a consent or waiver (as applicable) from the relevant contract counterparties, there is a risk that one or more of these material contracts could be terminated and MSF will lose the benefit of these contracts. The termination of one or more of these materials contracts as a result of the Offer may have an adverse effect on MSF.

(f) Tax losses

As at 1 July 2011, the MSF tax consolidated group ("**MSF Group**") had approximately A\$48 million of group revenue losses and approximately A\$24 million of transferred revenue losses. In the ordinary course, the utilisation of these tax losses in a future year of taxable income will be subject to satisfaction of the Continuity of Ownership Test ("**COT**") or Same Business Test ("**SBT**").

The MSF Group revenue losses are recorded as a future tax benefit in the MSF balance sheet at approximately \$14.5 million (being 30% of \$48 million).

To the extent Mitr Phol acquires less than 100% of MSF Shares, the following potential consequences in relation to recoupment of tax losses are noted:

- the MSF Group will continue to exist;
- for the purpose of determining if the MSF Group can utilise tax losses in future years, the COT is likely to be failed if Mitr Phol's Offer becomes unconditional. Accordingly there will be a need to satisfy the SBT going forward;
- generally, a company satisfies the requirement of the SBT during the whole of the year in which it seeks to recoup a carried forward tax loss where during that year:
 - it carries on the same business that it carried on immediately before failure of the COT;
 - it does not derive assessable income from a business of a kind that it did not carry on before failure of the COT (the new business test);
 - it does not derive assessable income from a transaction of a kind that it had not entered into in the course of its business operations before failure of the COT (the new transaction test); and
 - it had not, before the failure of the COT, commenced to carry on a business not previously carried on or entered into a transaction not previously entered into for a purpose of being able to satisfy the SBT; and
- If MSF did fail both the COT and SBT, it would be required to derecognise the future tax benefit of A\$14.5 million currently on the MSF balance sheet. This would show as an increase in "Income Tax Expense" of A\$14.5 million at the time of derecognition of the tax losses.

8 Tax considerations

8.1 Introduction

The following is an outline of the principal Australian income tax consequences applicable to an MSF Shareholder who disposes of MSF Shares under the Offer. This outline reflects the current provisions of the Income Tax Assessment Act 1936 (Cwlth) and the Income Tax Assessment Act 1997 (Cwlth) and the regulations made under those Acts, taking into account MSF's understanding of the current administrative practices of the Australian Taxation Office. The outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

The following outline is not exhaustive of all possible Australian income tax considerations that could apply to MSF Shareholders. In particular, the summary is only relevant to those MSF Shareholders who hold their shares on capital account and it does not address all tax considerations applicable to MSF Shareholders who may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities, MSF Shareholders who hold the MSF Shares on behalf of another person or MSF Shareholders who acquired their MSF Shares as part of an employee share scheme. For MSF Shareholders who are non-residents of Australia for tax purposes, it is assumed that the MSF Shares are not held and have never been held, as an asset of a permanent establishment of that MSF Shareholder in Australia.

This outline does not constitute tax advice. Each MSF Shareholder should consult with their own tax adviser regarding the consequences of acquiring, holding or disposing of their MSF Shares.

8.2 Taxation on the disposal of MSF Shares

If you accept the Offer, you will be treated as having disposed of your MSF Shares for Australian income tax purposes.

8.3 Australian resident MSF Shareholders

You will realise a capital gain in connection with the disposal of an MSF Share to the extent that the amount you receive, or will receive, for the disposal of that MSF Share is more than the cost base of that MSF Share. You will realise a capital loss to the extent that the amount you receive, or will receive, is less than the reduced cost base of the MSF Share. Capital losses can usually only be offset against capital gains you realise in the same income year or in later income years.

As a general proposition, the cost base of an MSF Share should be the total amount you paid for the MSF Share, your acquisition costs and other costs relating to the holding and disposal of the MSF Share, to the extent to which you have not claimed an income tax deduction for such costs. The reduced cost base of an MSF Share is usually determined in a similar, but not identical, manner. There are a number of circumstances which may result in your cost base or reduced cost base being calculated in a different manner to that outlined in this section (such as if you acquired your MSF shares as a result of a CGT roll-over) or your MSF shares may be a pre-CGT asset. We recommend that you consult your tax adviser to confirm the cost base or reduced cost base of your MSF Shares.

Any net capital gain should be included in your assessable income for that income year. Broadly, your net capital gain in respect of an income year will be calculated by aggregating all of your capital gains realised in that income year and reducing that amount by your capital losses realised in that income year and any available net capital losses from prior years.

MSF Shareholders, who are individuals, trusts or complying superannuation funds may be eligible for discount capital gains treatment in respect of an MSF Share if they have held that MSF Share for at least 12 months. Companies are not eligible for discount capital gains treatment.

These comments will not apply to you if you buy and sell shares in the ordinary course of business, or if you acquired the shares for resale at a profit. In those cases, any gain is generally taxed as ordinary income.

8.4 Non-resident MSF Shareholders

If you are not a resident of Australia for income tax purposes, you will generally not have to pay Australian income tax on any capital gain when you dispose of your MSF Shares, unless both of the following requirements are satisfied:

- (a) you hold a “non-portfolio interest” in MSF; and
- (b) the MSF Shares pass the “principal asset test”.

If either element is absent, any capital gain made on the disposal of your MSF Shares should not be subject to income tax in Australia.

You will hold a “non-portfolio interest” in MSF if you, together with your associates, own, or owned, throughout a 12 month period during the two years preceding the sale of your MSF Shares, 10% or more of, broadly, all of the shares in MSF.

Broadly, the MSF Shares would pass the “principal asset test” if the market value of MSF’s direct and indirect interests in Australian land, including leases and mining rights, is more than the market value of its other assets at the time you accept the Offer. Detailed calculations are necessary to determine the results of the “principal asset test”.

If you hold a “non-portfolio interest” in MSF, you should contact MSF to determine if the MSF Shares would pass the “principal asset test”.

If you buy and sell shares in the ordinary course of business, or acquired the shares for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief available under a double tax treaty that Australia has concluded with your country of residence). Again, you should seek your own tax advice.

You should seek advice from your tax adviser as to the taxation implications of accepting the Offer in your country of residence.

8.5 Stamp Duty

Any stamp duty payable on the transfer of MSF Shares to Mitr Phol pursuant to the Offer will be paid by Mitr Phol.

9 Additional information

9.1 Takeover Implementation Agreement

MSF and Mitr Phol have entered into a Takeover Implementation Agreement which sets out the obligations of the parties in relation to the Offer. A full copy of the Takeover Implementation Agreement was made available to the public on 22 November 2011 and can be viewed on the ASX website at www.asx.com.au or at MSF's website www.msfsugar.com.au.

For a summary of the material terms of the Takeover Implementation Agreement, refer to section 9.10 of the Bidder's Statement.

9.2 Potential impact of Offer on MSF's financing arrangements

MSF has entered into separate banking facilities with each of Westpac Banking Corporation (ABN 33 007 457 141) (the "**Agent**"), Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., (Rabobank) Australia Branch (ABN 70 003 917 655) and Macquarie Bank Limited (ABN 46 008 583 542) (each of the banks being a "**Financier**") under facility agreements dated on or about 21 April 2011 (each a "**Facility Agreement**"). Each Facility Agreement is subject to the terms of a Common Terms Deed dated 21 April 2011 ("**Common Terms Deed**") between, among others, MSF and each of the Financiers.

Under the Common Terms Deed, MSF has agreed to certain covenants, which, if the Offer is successful, could enliven certain obligations.

The following is a description of key covenants under the Common Terms Deed which could be affected by the Offer, and the actions that MSF has taken to address each.

Review Event

Under clause 28.1 of the Common Terms Deed, a "Review Event" occurs if there is a change in control of MSF. MSF will be required to provide to the Financiers for their approval, within 30 days of the "Review Event" occurring (ie Mitr Phol acquiring control of MSF), evidence that the borrowers under the Facility Agreements can continue to satisfy their obligations and up-to-date financial projections. If all of the Financiers approve the information provided by MSF (which they are obliged to act reasonably in doing), the "Review Event" shall cease to subsist.

Until the Financiers give their approval:

- (a) no further amounts can be borrowed (or re-borrowed under the seasonal facility);
- (b) no distributions can be made; and
- (c) the Financiers can transfer their rights and obligations under the transaction documents without MSF's consent.

MSF has engaged in discussions with the Financiers in respect of "Review Events" under the Common Terms Deed, and is seeking confirmation that the takeover will not affect MSF's rights under the Facility Agreements. If this confirmation is not obtained, a "Default" may be triggered under the Common Terms Deed. Upon the occurrence of a "Default", in the absence of a waiver by the Financiers (via the Agent), the Financiers (via the Agent) can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect.

Default and Potential Default

Under clause 27 of the Common Terms Deed, the following default events may be triggered by a successful takeover by Mitr Phol:

- (a) under clause 27.1(c), if MSF fails to comply with obligations to provide information required in respect of the occurrence of a "Review Event";
- (b) under clause 27.1(aa), if the Agent forms the opinion that (acting on the Financiers' instructions) the takeover would have or be likely to have a "Material Adverse Effect". "Material Adverse Effect" is defined to include a material adverse effect on the assets, operations, condition or business of the "Group", which could include Mitr Phol after the takeover; and
- (c) under clause 27.1(cc), if the takeover results in the delisting of MSF's shares.

Upon the occurrence of a "Default", the Agent can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect.

A "Default" under the Common Terms Deed will enliven certain rights under ISDA swap agreements between MSF and the Financiers, which may permit the Financiers to terminate the ISDA swap agreements.

MSF has engaged in discussions with the Financiers in respect of "Defaults" under the Common Terms Deed and the ISDA swap agreements, and is seeking confirmation that the takeover will not affect MSF's rights under any of those documents. If these confirmations are not obtained, a "Default" may be triggered under the Common Terms Deed. Upon the occurrence of a "Default", in the absence of a waiver by the Financiers (via the Agent), the Financiers (via the Agent) can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect.

Financial ratios

Under clauses 25.10 and 28.1 of the Common Terms Deed, MSF has undertaken to maintain certain financial ratios, which are tested twice a year on each of 30 June and 31 December:

- a leverage ratio of net debt divided by net equity for the "Group", which could include Mitr Phol after the takeover, of less than or equal to 55% for the financial year ending 31 December 2012, and less than or equal to 45% for the financial year ending 31 December 2013; and
- an interest cover ratio of EBIT to interest expense for the "Group", which could include Mitr Phol after the takeover, of greater than 2.00 to 1 for the financial year ending 31 December 2012, and greater than 2.25 to 1 for the financial year ending 31 December 2013.

Non-compliance with these financial ratios may trigger a "Default" under the Common Terms Deed.

In the event Mitr Phol acquires control of MSF prior to 31 December 2011 and certain of the transaction-related expenses become due and payable in the current financial year (see section 9.6 of this Target's Statement for further information on transaction-related expenses), there is risk that MSF may not satisfy the financial ratios which are due to be tested as at 31 December 2011 and accordingly a "Default" may be triggered under the Common Terms Deed. Upon the occurrence of a "Default", in the absence of a waiver by the Financiers (via the Agent), the Financiers (via the Agent) can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect, although MSF considers that this occurrence would more likely lead to a renegotiation of the terms of the facility.

Other covenants

Each of MSF and the other MSF entities under the Common Terms Deed must comply with the following obligations:

- provide notice to the Agent of a "Review Event", "Default" or "Potential Default" as soon as becoming aware of it;
- provide notice to the Agent of the occurrence of any event or circumstance which has or is likely to have a "Material Adverse Effect", as described above;
- provide to the Agent reasonable details of any notice of a material nature to or from, or correspondence of a material nature with, a government agency in relation to it or its assets;
- provide information regarding the proposed change to the corporate group and a revised group structure diagram to the banks as soon as possible;
- provide notice to the Agent of any proposed material change to its business or its internal management; and
- provide all documents and information known to MSF which is material to the assessment of the nature and amount of risk undertaken by the Financiers.

MSF has engaged in discussions with the Agent and the Financiers in respect of these obligations, and is seeking confirmation that the takeover will not affect MSF's rights under the Facility Agreements. If this confirmation is not obtained, a "Default" may be triggered under the Common Terms Deed. Upon the occurrence of a "Default", in the absence of a waiver by the Agent, the Agent can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect.

9 Additional information continued

9.2 Potential impact of Offer on MSF's financing arrangements continued

Potential impact on the Offer

Prior to the Bid Announcement Date, MSF had fairly disclosed to Mitr Phol details of its financing arrangements, including a copy of the Common Terms Deed, as part of Mitr Phol's due diligence investigations prior to Mitr Phol waiving its due diligence bid condition under the Takeover Implementation Agreement. Accordingly, in the event the Financiers do not provide a consent or waiver (as applicable) or exercise certain rights in respect of the Common Terms Deed, Mitr Phol will not be entitled to withdraw the Offer for breach of the Offer Condition set out in section 7.5(i) of this Target's Statement.

9.3 Potential impact of the offer on MSF's material contracts

MSF (and certain of its subsidiaries) is party to a number of material contracts which include change in control provisions which may be triggered if Mitr Phol is successful in acquiring control of MSF.

MSF advises that the following contracts contain change of control provisions which may be triggered by a successful takeover by Mitr Phol:

- Cane Cartage Contract dated 25 August 2011 between MSF and Maryborough Cane Hauliers Pty Ltd;
- Molasses Supply Agreement dated 30 March 1999 between MSF and Bundaberg Sugar Ltd ("BSL"), as amended from time to time;
- Power Purchase Agreement dated 31 December 2009 between The Mulgrave Central Mill Company Limited and Ergon Energy Queensland Pty Ltd;
- Power Purchase Agreement dated 30 June 2010 between BSL and Ergon Energy Queensland Pty Ltd, as novated to MSF pursuant to a Deed of Assignment and Consent – Power Purchase Agreement dated on or about 27 April 2011; and
- the Lease dated 19 April 2011 between MSF and Bermdale Pty Ltd, as trustee.

The change in control provisions of these material contracts may be triggered upon Mitr Phol acquiring a controlling interest in MSF. In the absence of a consent or waiver (as applicable) from the relevant contract counterparties, there is a risk one or more of these material contracts could be terminated and MSF will lose the benefit of these contracts. MSF is seeking from each counterparty to the material contracts either its consent to the takeover by Mitr Phol or a waiver of its termination right in the event of a change in control. There is no guarantee that these consents will be obtained.

Prior to the Bid Announcement Date, MSF had fairly disclosed to Mitr Phol details of the material contracts which contain change of control clauses as part of Mitr Phol's due diligence investigations prior to Mitr Phol waiving its due diligence bid condition under the Takeover Implementation Agreement. Accordingly, in the event a counterparty to the abovementioned contracts does not provide a consent or waiver (as applicable) and exercises certain rights in respect of the relevant material contract, Mitr Phol will not be entitled to withdraw the Offer for breach of the Offer Condition set out in section 7.5(i) of this Target's Statement.

9.4 Agreement with STL

MSF and BSL entered into a Share Sale and Purchase Agreement dated 25 July 2011, as amended on or about 21 September 2011 ("SSPA") under which MSF has agreed to purchase 15,328,437 M-Class Shares in STL from BSL for a purchase price of \$13,795,593.30 (subject to adjustments for STL dividends, if any).

Subject to the satisfaction of the following conditions precedent, the sale and purchase of STL shares will complete on 24 December 2011 (unless this date is extended in accordance with its terms). The conditions precedent to the completion are:

- MSF obtains finance for the purchase of STL shares, on terms satisfactory to MSF (the "Financing Condition"); and
- there is no objection from the Treasurer under Australia's foreign investment policy (the "FIRB Condition").

The FIRB Condition was satisfied on 30 September 2011.

Accordingly, if the Funding Condition is either satisfied or waived prior to 24 December 2011, and the SSPA is not otherwise terminated, then at completion, MSF will acquire unencumbered title to the STL shares.

Having regard to the restrictions imposed on MSF under the Takeover Implementation Agreement, which include restrictions in relation to MSF increasing the level of its existing debt borrowings, or issuing new equity, MSF is unlikely to be able to complete the acquisition by 24 December 2011 without the prior written consent of Mitr Phol or unless the 24 December 2011 completion date is extended.

9.5 Material litigation

To the best knowledge of the Directors and senior management of MSF, MSF is not involved in any litigation or dispute which is material in the context of MSF and its subsidiaries taken as a whole.

9.6 Transaction expenses

The Offer has resulted in MSF incurring expenses that would not otherwise arise from trading. Some of these transaction-related expenses will be incurred in the current financial year and some in the financial year ending December 2012. These transaction-related expenses are anticipated to be approximately A\$6 million (assuming the Offer is successful). These expenses include fees incurred in obtaining legal, financial advisory and tax advice in connection with the Offer, in relation to the preparation of the Independent Expert's Report and in relation to the printing and despatch of this Target's Statement (including the Independent Expert's Report) and related documents, and associated share registry costs.

These transaction-related expenses will have a negative impact on the after tax earnings of MSF for the current financial year ending December 2011 or year ending December 2012, depending on when these transaction-related expenses are incurred. Please see section 6.4 of this Target's Statement for further information.

Certain of these transaction-related expenses could, if they become due and payable prior to 31 December 2011, also have adverse consequences under MSF's financing arrangements. Please see section 9.2 for further information.

9.7 Consents

Each of the persons listed below has given and has not, before the lodgment of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the statements in this Target's Statement that are specified below in the form and context in which the statements are included:

- Lonergan Edwards & Associates Limited – the Independent Expert's Report and being named as Independent Expert;
- Greenhill Caliburn Pty Ltd – being named as financial adviser to MSF;
- Mallesons Stephen Jaques – being named as legal adviser to MSF; and
- Link Market Services Limited – being named as MSF's share registry.

Disclaimer regarding statements made and responsibility

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

9 Additional information continued

9.8 MSF as a disclosing entity

MSF is a disclosing entity (as that term is defined in the Corporations Act) and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au (code: MSF) and MSF's website at www.msfsugar.com.au.

Copies of the documents lodged with ASIC in relation to MSF may be obtained from, or inspected at, an ASIC office.

MSF Shareholders may obtain a copy of:

- MSF's Annual Report for the period ended 31 December 2010;
- MSF's constitution; and
- any document lodged by MSF with ASX between the release of MSF's Annual Report for the period ended 31 December 2010 and the date of this Target's Statement,

free of charge upon request by contacting the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT) or from the ASX website at www.asx.com.au (code: MSF). MSF's Annual Report for the period ended 31 December 2010, Constitution and Target's Statement are also available on MSF's website at www.msfsugar.com.au.

9.9 Publicly available information

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; and
- that are a correct and fair copy of, or extract from, a public official document or published book, journal or comparable publication,

without the consent of the person responsible for a statement where the statement was not made, or the document was not published, in connection with the Offer, Mitr Phol, MSF or any business, property of person the subject of the Bidder's Statement or this Target's Statement.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

Any MSF Shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by contacting the Offer Information Line on 1300 551 472 (within Australia) or +61 2 8280 7706 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT) or from the ASX website at www.asx.com.au (code: MSF). Copies of announcements by MSF may also be obtained from its website at www.msfsugar.com.au.

9.10 Other material information

The Target's Statement is required to include all the information that MSF Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for MSF Shareholders and their professional advisers to expect to find the information in this Target's Statement; and
- only if the information is known to any MSF Director.

The Directors are of the opinion that the information that MSF Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement;
- the information contained in MSF's releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The MSF Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken to be endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the MSF Shares;
- the matters that MSF Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to MSF Shareholders' professional advisers; and
- the time available to MSF to prepare this Target's Statement.

9.11 Date of Target's Statement

This Target's Statement is dated 13 December 2011, which is the date on which it was lodged with ASIC.

10 Glossary

10.1 Definitions

Acceptance Form means the acceptance form which accompanies the Bidder's Statement or any replacement or substitute acceptance form provided by or on behalf of Mitr Phol.

AIFRS means the Australian equivalents to International Financial Reporting Standards, which are the Accounting Standards applicable to disclosing entities at the date of this Target's Statement.

Announcement Date means the date on which MSF publicly announced that it had entered into the Takeover Implementation Agreement with Mitr Phol, being 9 November 2011.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market it operates, as the context requires.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHES system in Australia.

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

Bid Announcement Date means the date on which Mitr Phol publicly announced that it proposed to make the Offer, being 16 November 2011.

Bidder's Statement means the bidder's statement in relation to the Offer, given by Mitr Phol under Part 6.5 of the Corporations Act and dated 2 December 2011, and any supplementary or replacement bidder's statement.

Board means the Board of Directors of MSF.

BSL means Bundaberg Sugar Ltd (ACN 077 102 526).

CHES means the Clearing House Electronic Subregister System, operated by ASX Settlement for the clearing, settlement, transfer and registration of approved securities.

CHES Holding means a holding of MSF Shares on the CHES subregister of MSF.

Competing Transaction means a transaction which, if completed, would mean a person (other than Mitr Phol or its related bodies corporate or representatives) would:

- (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of:
 - (i) 50.1% or more of MSF Shares; or
 - (ii) all or a substantial part or a material part of the business conducted by MSF, including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee;
- (b) acquire control of MSF, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with MSF.

Corporations Act means Corporations Act 2001 (Cwlth).

Directors means the current Directors of MSF.

Exclusivity Period means the period commencing on the date of the Takeover Implementation Agreement and ending on 31 April 2012 (unless the Takeover Implementation Agreement is earlier terminated in accordance with its terms).

FIRB means the Foreign Investments Review Board.

Independent Expert means Lonergan Edwards & Associates Limited, appointed as the Independent Expert by MSF to prepare the Independent Expert's Report.

Independent Expert's Report means the report prepared by the Independent Expert as to whether the Offer is fair and reasonable, a concise version of which is attached as Annexure A.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while the relevant entity is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Material Adverse Change means one or more occurrences or any fact, matter or circumstance (whenever occurring) that is announced or becomes known to Mitr Phol that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have one of the following effects:

- (a) to materially adversely affect the status or terms of any material regulatory consent that is applicable to the MSF Group;
- (b) to prevent or would be likely to prevent MSF from discharging in a material respect its obligations under the Takeover Implementation Agreement;
- (c) to diminish the total consolidated net assets of the MSF Group (calculated on the basis of AIFRS) by A\$11 million or more;
- (d) to otherwise materially adversely affect the business, financial condition, operations, reputation or prospects of the MSF Group including:
 - (i) any material default by the MSF Group or any member of the MSF Group under their existing financing facilities; or
 - (ii) the termination of any material contract of the MSF Group,

unless that occurrence, fact, matter or circumstance:

- (e) is required to be done or procured by MSF pursuant to the Takeover Implementation Agreement;
- (f) relate to changes in business conditions affecting the industry in which MSF operates, provided that the changes or disruptions do not have a materially disproportionate effect on MSF compared to other participants in the industries in which the MSF business operate; or
- (g) is fairly disclosed, or that is reasonably apparent on its face as potentially to flow from the event, occurrence, matter or information that is fairly disclosed, in information provided by MSF to Mitr Phol or its representatives, or is otherwise known to Mitr Phol or its representatives on or prior to the date of the Takeover Implementation Agreement or otherwise disclosed in public filings by MSF with ASIC or provided to ASX on or prior to the date of the Takeover Implementation Agreement.

Mitr Phol means Mitr Siam International Pte. Ltd., (an entity controlled by Mitr Phol Sugar Corp., Ltd) and, where the context requires, includes Mitr Phol Sugar Corp., Ltd.

MSF means MSF Sugar Limited (ABN 11 009 658 708).

MSF Group means MSF and each of its subsidiaries (as defined in the Corporations Act).

MSF Options means options to subscribe for MSF Shares pursuant to the MSF Options and Performance Rights Plan.

MSF Options and Performance Rights Plan means the plan approved by MSF Shareholders on 17 November 2005 (as amended) to enable participation by MSF employees and executives in the equity ownership of MSF.

MSF Performance Rights means rights to subscribe for MSF Shares pursuant to the MSF Options and Performance Rights Plan.

MSF Share or **Share** means an ordinary share in MSF.

MSF Shareholder or **Shareholder** means a registered holder of MSF Shares.

Offer means the takeover offer by Mitr Phol for MSF Shares under Chapter 6 of the Corporations Act as described in the Bidder's Statement, and includes each offer to acquire MSF Shares for the Offer Price to be made by Mitr Phol to each MSF Shareholder.

Offer Conditions are the conditions to the Offer as set out in section 7.5 of this Target's Statement and Annexure 2 of the Bidder's Statement.

Offer Information Line means the information line in relation to the Offer provided on behalf of MSF.

Offer Period has the same meaning given in the Bidder's Statement, being the period during which the Offer is open for acceptance.

10 Glossary continued

10.1 Definitions continued

Offer Price means the consideration offered under the Offer. As at the date of this Target's Statement, it is A\$4.45 cash per MSF Share.

Offer Terms mean the terms and conditions of the Offer set out in section 10 of the Bidder's Statement.

Official List means the official list of ASX.

Participant has the meaning given in ASX Settlement Operating Rules.

Prescribed Occurrence means an event listed in Annexure 3 of the Bidder's Statement.

Register Date means 10.00am (AEDT) on 9 December 2011, being the date set by Mitr Phol pursuant to section 633(2) of the Corporations Act.

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

STL means Sugar Terminals Limited (ACN 084 059 601).

Superior Proposal means a publicly announced Competing Transaction which the Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (b) more favourable to MSF Shareholders than the Offer, taking into account all terms and conditions of the Competing Transaction.

Takeover Implementation Agreement means the agreement entitled Takeover Implementation Agreement dated 9 November 2011 between MSF and Mitr Phol (as amended).

Target's Statement means this booklet, being the statement of MSF under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

VWAP means the volume weighted average price calculated as the total dollar value of MSF Shares traded divided by the total number of MSF Shares traded during the relevant period.

10.2 Interpretation

Unless the context otherwise requires:

- headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;
- words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- a reference to a section is a reference to a section of this Target's Statement;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- the singular includes the plural and vice versa;
- the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;
- Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia; and
- a reference to time is the Australian Eastern Daylight Time (AEDT).

Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 12 December 2011.

This Target's Statement is dated 13 December 2011, being the date on which this Target's Statement was lodged with ASIC.

Signed for and on behalf of MSF Sugar Limited:

A handwritten signature in black ink, appearing to read 'J Jackson', written in a cursive style.

James A Jackson
Chairman

Schedule 1 – List of MSF announcements to ASX

Below is a list of the announcements which have been made relating to MSF to ASX between 27 March 2011 and the date of this Target's Statement.

Date	Headline
29/03/2011	Annual Report to shareholders
30/03/2011	Appendix 3B – 30 March 2011
05/04/2011	Appendix 3Y_W B Moller 31 March 2011
05/04/2011	Appendix 3Y_J F Hesp 31 March 2011
05/04/2011	Appendix 3Y_R A Burney 31 March 2011
05/04/2011	Appendix 3Y_J E Burman 31 March 2011
15/04/2011	Change in substantial holding
15/04/2011	Notice of Meeting for 2011 AGM and Proxy Form
27/04/2011	Completion Achieved on Northern Milling Joint Venture Assets
13/05/2011	Change in substantial holding from PPT
20/05/2011	Result of AGM Resolutions
20/05/2011	AGM Chairman's Address
20/05/2011	AGM – CEO's Address
20/05/2011	Earnings Guidance
23/05/2011	Change in substantial holding
24/05/2011	Change of Company Name and Amended Constitution
26/05/2011	CEO to Step Down at End of Crushing Season in November 2011
06/06/2011	Change of Director's Interest Notice – Appendix 3Y
08/06/2011	Correspondence Received from Mitr Phol Sugar Corporation Ltd
08/06/2011	MSF Sugar – Change of Registered Office
28/06/2011	Notice to withdraw from QSL marketing arrangement in 2014
26/07/2011	Change in substantial holding
18/08/2011	Announcement of Results for Half Year Ended 30 June 2011
18/08/2011	Half Year Results and Business Outlook Presentation
18/08/2011	Appendix 4D Half Year Report for Period Ended 30 June 2011
22/08/2011	Appendix 3B – OPRP Issue

Date	Headline
08/09/2011	Director Changes at MSF Sugar Limited
09/09/2011	Appendix 3Z – Final Director's Interest Notice
21/09/2011	Change of Director's Interest Notice – James Jackson
23/09/2011	Appendix 3B – New issue announcement
23/09/2011	Letter re MSF Option and Performance Rights Plan
29/09/2011	Mary Harbour residential development a step closer
03/10/2011	Initial Director's Interest Notice – Craig Mills
07/11/2011	Trading Halt
09/11/2011	Conditional Agreement with Mitr Phol Sugar Corp. Ltd.
11/11/2011	Ceasing to be a substantial holder from PPT
16/11/2011	Ceasing to be a substantial holder
16/11/2011	Number and Class of All Securities Not Quoted on ASX
16/11/2011	MSF Letter to ASX re Recommended Takeover Offer
16/11/2011	Presentation_Takeover Offer of MSF Sugar by Mitr Phol Sugar
16/11/2011	MSF Sugar and Mitr Phol Sugar Corp announce takeover offer
22/11/2011	Takeover Implementation Agreement
24/11/2011	Extension of CEO Employment to 31 January 2012
07/12/2011	Bidder's Statement – Off-market bid
07/12/2011	Notice under subsection 633(4)
08/12/2011	Change in substantial holding
12/12/2011	Mitr Phol offer for MSF Sugar opens for acceptance
13/12/2011	Target's Statement – Off-market bid and earnings guidance update

Annexure A – Independent Expert's Report (Concise Version)

Please note that a full version of the Independent Expert's Report can be obtained by contacting the Offer Information Line or by visiting MSF's website at www.msfsugar.com.au.

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The Directors
MSF Sugar Limited
47 Gordon Street
Gordonvale Qld 4865

13 December 2011

Subject: Takeover offer for MSF Sugar Limited

Dear Directors

Introduction

- 1 On 9 November 2011 MSF Sugar Limited (MSF) announced that it had entered into a Takeover Implementation Agreement dated 9 November 2011 (the Agreement) with its major shareholder Mitr Phol Sugar Corp., Ltd (Mitr Phol)¹ under which Mitr Phol, subject to the satisfactory completion of limited due diligence, would make a takeover offer for all the ordinary shares in MSF not held by Mitr Phol at an offer price of A\$4.45 cash per share (the Offer). Subsequently, on 16 November 2011, Mitr Phol formally announced completion of its limited due diligence and its intention to make the Offer.
- 2 The Offer values the total equity in MSF at approximately A\$313 million and is subject to a number of conditions which are outlined in section 7.5 of the Target's Statement.

MSF Sugar Limited

- 3 MSF is an integrated sugar company based in Queensland, Australia. It has approximately 4.7 million tonnes (Mt) of cane crushing capacity, 0.55Mt of sugar production capacity, 0.14Mt of molasses production capacity, independent marketing capabilities and a significant stake in strategic sugar industry terminal infrastructure through Sugar Terminals Limited (STL). It listed on the Australian Stock Exchange in 1956 and is the only listed sugar miller on the ASX.

Mitr Phol Sugar Corp., Ltd

- 4 Mitr Phol has six principal lines of business – sugar production and sales in Thailand, China and ASEAN, ethanol, energy, logistics and particle board operations. It is one of the world's largest sugar producers, with a history dating back over 70 years starting as a sugar grower. The company holds significant market shares in Thailand and China. Current sugar production capacity in Thailand and China is approximately 1.5 million tonnes per annum (Mtpa) and 1.0Mtpa respectively.

¹ At the date of announcement of the Agreement Mitr Phol held a 22.01% interest in MSF.



- 5 While there is no statutory requirement for MSF to obtain an independent expert's report (IER) in relation to the Offer, the recommendation of the MSF Directors to accept the Offer is subject to no superior proposal emerging and an independent expert determining that the Offer is fair and reasonable. Accordingly, the MSF Directors have requested that Lonerган Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Offer is fair and reasonable.
- 6 LEA is independent of MSF and Mitr Phol and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

Summary of opinion

- 7 LEA has concluded that the Offer is fair and reasonable. We have arrived at this conclusion for the reasons set out below.

Valuation of MSF

- 8 LEA has valued 100% of the ordinary shares in MSF at between A\$4.22 and A\$4.67 per share, as summarised below:

Valuation of MSF		
	Low A\$m	High A\$m
Enterprise value of milling operations	256.5	283.5
Value of cane farms and water rights	47.5	52.7
Value of other properties	13.2	15.0
Value of STL shares	43.2	43.2
Other assets ⁽¹⁾	9.7	11.7
Cash from exercise of options	1.9	1.9
Enterprise value	372.0	408.0
Less net debt	75.0	80.0
Value of equity	297.0	328.0
Fully diluted shares on issue (million)	70.3	70.3
Value per MSF share	A\$4.22	A\$4.67

Note:

- 1 Includes our assessed value of tax losses held by MSF that arose out of the acquisition and subsequent operation of the Northern Milling Joint Venture (NMJV) assets, together with hedging losses when marked to market based on our midpoint sugar prices.

Assessment of fairness

- 9 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guideline 111 *Content of expert reports* (RG 111), an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

Annexure A – Independent Expert's Report (Concise Version) continued



- 10 This comparison is shown below:

	Low	High	Mid-point
	A\$ per share	A\$ per share	A\$ per share
Value of Offer consideration	4.45	4.45	4.45
Value of 100% of ordinary shares in MSF	4.22	4.67	4.45
Extent to which the Offer consideration exceeds (or is less than) the value of the ordinary shares in MSF	0.23	(0.22)	-

- 11 As the consideration offered by Mitr Phol is consistent with our assessed value of 100% of the ordinary shares in MSF, in our opinion, the Offer is fair.

Assessment of reasonableness

- 12 Pursuant to RG 111, an offer is reasonable if it is fair. Consequently we have concluded that the Offer is both fair and reasonable.
- 13 In concluding that the Offer is fair and reasonable we have also had regard to the following factors:
- the Offer consideration represents a significant premium to the recent market prices of MSF shares prior to the announcement of the intention to make the Offer on 9 November 2011 (subject to completion of satisfactory due diligence)
 - furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances
 - if the Offer is unsuccessful, and in the absence of an alternative offer or proposal, the price of MSF shares is likely to trade at a significant discount to our valuation and the Offer consideration (consistent with the portfolio nature of individual shareholdings).

Recent share prices subsequent to the Offer

- 14 MSF shares have traded on the ASX in the range of A\$4.34 to A\$4.52 per share since the intention to make the Offer was announced up to 9 December 2011. The volume weighted average price (VWAP) for the period was A\$4.42 per share, and on 9 December 2011 MSF shares last traded at A\$4.47 per share.
- 15 MSF shareholders should note that MSF shares have, on occasion, traded marginally above the Offer price. In our view this suggests that:
- in the absence of a superior proposal the consensus market view is that the Offer is likely to be successful
 - some investors believe that there is some prospect of a higher offer given the recent level of corporate activity in the Australian sugar industry.
- 16 We have been advised by the Directors of MSF that no formal alternative offers have been received subsequent to the announcement of the intention to make the Offer on 9 November 2011.



- 17 Further, as Mitr Phol already owns 22.01% of MSF shares, Mitr Phol would need to agree to sell its shareholding in order for an alternative offeror to acquire 100% control of MSF.

General

- 18 In preparing this report we have considered the interests of MSF shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 19 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and Target's Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.
- 20 The ultimate decision whether to accept the Offer should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.
- 21 For our full opinion on the Offer, and the reasoning behind our opinion, we recommend that MSF shareholders read the remainder of our report.
- 22 This Concise Report is a summary of our full IER and, in our view, contains all material information contained in that IER. In our view this Concise Report provides sufficient information to enable MSF shareholders to make a decision in relation to the Offer. The full IER is available at www.msfsugar.com.au and contains the complete analysis supporting our reasons and opinion.

Yours faithfully

Handwritten signature of Craig Edwards in black ink.

Craig Edwards
Authorised Representative

Handwritten signature of Martin Holt in black ink.

Martin Holt
Authorised Representative

Annexure A – Independent Expert's Report (Concise Version) continued



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I Valuation of 100% of MSF

Methodology

- 23 The market value of MSF has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings. The valuation of MSF has been made on the basis of market value as a going concern and has been determined as detailed below.

Milling operations

- 24 The milling operations have been valued using a capitalisation of earnings before interest, tax, depreciation and amortisation (EBITDA) method. Under this methodology the value of the business is represented by its underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risk inherent in those earnings. The value of the equity in MSF has then been determined by adding the realisable value of surplus and other assets and deducting net borrowings and other liabilities. The capitalisation of EBITDA methodology has been adopted because:
- (a) transaction evidence in the sector is generally expressed in terms of EBITDA multiples; and
 - (b) EBITDA is not impacted by differences between the depreciation rates or methods used by MSF and comparable companies, or by differences in the level of gearing (provided gearing levels are not excessive).
- 25 The Australian sugar industry has been subject to a number of recent transactions, involving changes in control and/or ownership. While the circumstances in each transaction differ, we have considered the implied value per tonne of cane crushing utilisation as a useful metric to cross check our assessed value of the milling operations.

Other assets

- 26 In addition to the milling operations, MSF owns a number of other sugar related assets such as:
- (a) sugar cane farms which act as a source of supply of sugar cane to the Maryborough Mill and related water entitlements for farmland irrigation purposes
 - (b) other properties no longer integral to the sugar cane and milling activities undertaken; and
 - (c) a minority 13.3% interest in STL.
- 27 The values of the land and related water entitlements have been based on independent valuations undertaken for financial reporting purposes as at 31 December 2010. The valuation of the minority interest in STL has been based on comparable transactions, with appropriate implied value cross-checks.

Annexure A – Independent Expert's Report (Concise Version) continued



Cross-check to alternative valuation criteria

- 28 While we consider the above approaches to be the most appropriate valuation methodologies in the circumstances, it is important to cross-check the assessed MSF equity valuation against other valuation methodologies used in equity markets to assess the price that might be paid for 100% of MSF. Accordingly, we have also considered the value of MSF by reference to the listed market price of MSF shares prior to 4 November 2011, being the last day of trading prior to MSF entering into the trading halt which preceded the announcement of the intention to make the Offer from Mittr Phol, adjusted for an appropriate takeover premium.

Milling operations

- 29 We have adopted the EBITDA methodology as the principal method to value the milling operations of MSF, with a cross-check to the implied value per tonne of cane crushing utilisation. Under the capitalisation of EBITDA approach the underlying maintainable EBITDA is capitalised at an appropriate EBITDA multiple to derive the value of the business on an ungeared basis (i.e. enterprise value).
- 30 MSF has recently been through a transformational stage, increasing investment in milling capacity through acquisitions whilst restructuring operations to operate more efficiently. Additionally, its recent operating performance has been negatively impacted by significant adverse weather related events, most recently Cyclone Yasi. In our view therefore the reported historical financial results are not indicative of the future earnings capacity of the company. Accordingly, in considering the valuation of the MSF milling operations we have estimated EBITDA based on average seasonal conditions and hence average cane crushing utilisation (and average sugar production) for the four mills currently operated by MSF, together with the cost structure and related business infrastructure under which MSF now operates.

Assessment of maintainable EBITDA

- 31 In assessing underlying maintainable EBITDA we have adopted a number of assumptions, details of which are provided below. The two primary assumptions are cane crushing levels (a significant determinant of the quantum of sugar produced) and sugar prices.

Cane crushing levels

- 32 Sugar production is derived from cane crushing levels, which are a function of the number of hectares dedicated by farmers to cane growing and average sugar cane yields per hectare. The level of cane crushed by MSF's milling facilities over the period from 2006 to 2010, as well as management estimates for 2011 and 2012 are shown below:



MSF – cane crushing mill information					
	Maryborough	Mulgrave	Tableland	South Johnstone	Total
	000 tonnes	000 tonnes	000 tonnes	000 tonnes	000 tonnes
2006 – actual	985	960	621	1,507 ⁽¹⁾	4,073
2007 – actual	644	1,067	684	1,609 ⁽¹⁾	4,004
2008 – actual	615	1,068	690	1,624 ⁽¹⁾	3,997
2009 – actual	687	1,079	595	1,397 ⁽¹⁾	3,758
2010 – actual	575	1,116	652	1,635 ⁽¹⁾	3,978
2011 – actual	645	741	679	670	2,735 ⁽²⁾
2012 – estimate	730	1,100	680	1,500	4,010
2006 to 2010 – average	701	1,058	649	1,554	3,962

Note:

- 1 Includes cane grown for the Babinda Mill (which has now closed), excluding cane grown in the areas recently lost to the Tully Sugar mill. From the 2011 crop year this cane will be redirected to the South Johnstone and Mulgrave Mills.
- 2 Considered an outlier due to the impact of Cyclone Yasi and other particularly adverse weather conditions in the South Johnstone and Mulgrave Mills growing areas.

- 33 Based on the above we have assumed an average sugar cane crop to which MSF has milling entitlements of 4Mtpa.

Sugar pricing assumptions

- 34 Sugar prices adopted for valuation purposes are based on a blend of US\$ forward prices, the A\$:US\$ exchange rates assumed, analyst views on sugar prices, as well as industry factors based on both discussions with MSF management and independent research. A summary of these factors is as follows:
- (a) the United States dollar (US\$) forward prices for the ICE Sugar No. 11 futures contract (No. 11 sugar contract) are consistent over one to three year periods, with prices of around US\$0.23 per pound
 - (b) the Australian dollar (A\$) forward prices for the No. 11 sugar contract, when determined using the forward A\$:US\$ exchange rates, indicate higher A\$ equivalent prices due to expectations for lower A\$ exchange rates. The respective one to three year forward prices are A\$0.23, A\$0.24 and A\$0.25 per pound. However, in real (i.e. inflation adjusted) A\$ terms these forward prices are towards the lower end of this range
 - (c) analyst long-term forward price estimates for sugar prices are around US\$0.25 per pound
 - (d) we are advised that the current costs for production in Brazil are around US\$0.18 per pound; and
 - (e) we understand industry consensus is that the long-term prices required to encourage additional investment in new sugar mill processing facilities in Brazil are in the range of US\$0.22 to US\$0.25 per pound, which may represent a “floor” sugar price in the medium to long-term.

Annexure A – Independent Expert's Report (Concise Version) continued



- 35 Based on the above we have adopted a sugar price for valuation purposes of A\$0.23 to A\$0.24 per pound. This provides the following equivalent A\$ per tonne prices for MSF sugar production:

MSF – sugar price adopted for valuation purposes		
	Low	High
Price per pound (A\$)	0.23	0.24
Pounds per tonne	2,204.6	2,204.6
Price per tonne (A\$)	507.06	529.10
Price adjustment ⁽¹⁾	(15.00)	(15.00)
Price for MSF sugar (A\$ per tonne)	492.06	514.10

Note:

- 1 MSF incurs net costs of A\$15 per tonne (adjusted against the sugar price received) in respect of terminal storage and shipping costs, offset by regional premium, freight adjustments and quality adjustments and adjusted for International Pol Scale (IPS).

Other assumptions

- 36 Other assumptions reflected in our assessment of maintainable EBITDA are as follows:
- in addition to the average annual cane crop, in determining the production of sugar from crushing of the sugar cane, we have had regard to the historical efficiency performance of the four mills currently operated by MSF, together with CCS² factors in the range of 12.5 to 13.5³
 - a cost to MSF (price paid to cane growers) for the cane crushed that incorporates our sugar price assumptions, together with the CCS factors and mill efficiency assumptions included above
 - revenue from the sale of molasses, based on production tonnes at a rate of 3% of the sugar cane crushed and an adopted molasses price of A\$100 per tonne
 - revenue from the sale of surplus power and Renewable Energy Certificates (RECs) to the Queensland electricity power grid of A\$3.5 million per annum
 - cane transport and operating expenses consistent with an assumed annual sugar cane crop of 4Mt
 - maintenance, employee and other operating expenses based on the current cost structure of the MSF milling operations
 - corporate costs at an ongoing level of A\$5.0 million per annum.

² A measure of the recoverable sugar in the cane.

³ Given a constant sugar price and assumed consistent level of mill efficiency, changes to the CCS factor do not materially impact the profitability of the mill operations (although they are a key factor in the payments for sugar cane made to cane growers).



Conclusion on maintainable EBITDA

37 Based on the above, the EBITDA of MSF's milling operations ranges from A\$24.7 million to A\$29.3 million. This range is primarily attributable to the range of sugar prices adopted. For valuation purposes we have adopted the mid-point of this range of A\$27.0 million as our estimate of the maintainable EBITDA of the milling operations.

EBITDA multiple

38 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- (a) the stability and quality of earnings and management
- (b) the nature and size of the business
- (c) the spread and financial standing of customers
- (d) the financial structure of the company and gearing level
- (e) the asset backing of the underlying business of the company
- (f) expected changes in interest rates
- (g) whether the assessment is consistent with historical and prospective earnings
- (h) relevant sugar industry factors include future growth potential, the strength of competitors and suppliers, the level of cyclicality of the sector and industry barriers to entry.

39 Consideration has also been given to the recent transaction evidence in the Australian sugar and agricultural industries, together with the share market multiples of listed companies operating in these sectors. As MSF is the only ASX listed sugar company, we have also had regard to other ASX listed agricultural companies.

40 Whilst there are a large number of companies operating in the global sugar industry, we have limited our analysis to sugar cane milling companies without other operations that would adversely impact comparability. In this regard, we have excluded companies with material other operations such as power generation⁴, downstream manufacturing and sugar beet manufacturing companies.

41 Due to the high level of earnings volatility, earnings multiples for companies operating in the agricultural sector can vary significantly depending on a range of factors including current and expected seasonal conditions and the extent to which each company is exposed to agricultural risk. In particular, it should be noted that:

- (a) the historical (or forecast) earnings multiples for companies whose historical (or forecast) earnings have been adversely impacted by poor seasonal or climatic conditions tend to be high, but are generally much lower when calculated as a multiple of earnings derived under normal (average) seasonal conditions

⁴ Over and above that produced in the sugar milling process.

Annexure A – Independent Expert's Report (Concise Version) continued



- (b) forecast earnings beyond the current year generally reflect an assumption that seasonal and climatic conditions will revert to more normal (average) conditions due to the inability to reliably forecast future weather patterns
- (c) companies with larger more geographically diverse operations are generally less impacted by adverse climatic conditions in a specific region, and therefore generally trade on more consistent multiples.

Recent transactions in the Australian sugar milling sector

- 42 We consider the most relevant indications of comparative value for MSF to have been the recent transactions in the Australian sugar industry. A detailed summary of the operations of the relevant target companies is set out in Appendix C of our full IER which is available on MSF's website at www.msfsugar.com.au. We have had regard to the implied EBITDA multiples as well as the implied value per tonne of cane crushing utilisations (by way of a value cross-check).
- 43 Due to the limited information available and a lack of access to management of the target companies, we have based our multiple analysis on the average earnings and average cane crushing utilisation for historical periods, to provide a reasonable estimate of average seasonal conditions and output. Where possible we have also made appropriate adjustments in respect of surplus assets and income attributable to these assets (e.g. shares in STL, cane land / agricultural land, investment properties and other surplus assets) to derive multiples associated with the milling operations only.

Transaction evidence for Australian milling assets

Date	Target	Acquirer	Total consideration A\$m	Consideration for milling assets A\$m	EBITDA ⁽¹⁾ x	Implied value / tonne of cane crushing utilisation ⁽¹⁾ x	Average cane crushed Mtpa
Nov 11	Proserpine Sugar	COFCO	128.0	108.1	10.9 ⁽²⁾	65.8	1.6
May 11	Tully Sugar	COFCO	136.0	103.0	10.3	57.3	1.8
Jul 10	Sucrogen	Wilmar	1,750.0	1,059.0	11.0	76.1	13.9
Oct 07	Mulgrave	MSF	60.0	40.0	9.6 ⁽³⁾	35.1	1.1

Note:

- 1 Based on average years.
- 2 Adopting the independent expert's maintainable EBITDA results in an EBITDA multiple of 10.3.
- 3 Adopting the independent expert's maintainable EBITDA results in an EBITDA multiple of 13.7.

Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

- 44 In relation to the above we note that:

- (a) Proserpine Co-operative Sugar Milling Association Ltd (Proserpine Sugar) – the average EBITDA for Proserpine Sugar excludes the loss incurred in 2011 (largely due to significant losses on forward sugar prices) and is based on the historical years 2008 to 2010, as well as the forecasts (set out in the expert report) for 2012 and 2013⁵. The

⁵ If this was assessed with historical data only, i.e. from 2008 to 2010 the EBITDA multiple would be 12.3.



cane crushing utilisation analysis is based on the historical period 2006 to 2010. The implied value for the milling business was also adjusted in respect of the value placed on the ProSoil and Furfural businesses, which were assessed at a mid-point value of A\$24.8 million⁶ and considered surplus to the milling operations

- (b) Tully Sugar – the average EBITDA and cane crushing utilisation analysis is based on the historical years 2007 to 2010
- (c) Sucrogen – the average EBITDA and cane crushing utilisation analysis is based on the historical years 2006 to 2010⁷. As Sucrogen's earnings also include significant sugar refining assets we have attempted to allocate an appropriate proportion of earnings to the sugar milling business based on the information available (which was for 2010 only)
- (d) Mulgrave – the average EBITDA and cane crushing utilisation analysis are based on the historical years 2003 to 2007.

45 In considering the above multiples we have had regard to, inter alia:

- (a) the size of the milling assets in relation to MSF's milling operations (Sucrogen is a significantly larger operation than MSF, while the remaining milling companies are significantly smaller)
- (b) the diversification of MSF's four milling assets compared to the single mill operations of Proserpine Sugar, Tully Sugar and Mulgrave
- (c) the fact that the Mulgrave transaction was completed in 2007, prior to recent acquisitions from overseas buyers which have paid significantly higher amounts per tonne of cane crushing utilisation.

Australian agricultural transaction multiples

46 The EBITDA multiples implied by recent transactions in the Australian agricultural sector are set out in Appendix C of our full IER which is available on MSF's website at www.msfsugar.com.au and summarised below:

EV / EBITDA multiples	Historical	Forecast
Range	6.9 – 15.7	7.9 – 13.9
Median	11.7	8.9
Average	11.8	9.5

47 In relation to these transaction multiples we note:

- (a) none of the businesses acquired had sugar operations and none were directly comparable to MSF. However, the earnings of a number of the acquired businesses were derived from the transport of grain and other commodities and as such were volume driven

⁶ Values assessed by the independent expert.

⁷ Sucrogen's cane land holdings and shares in STL (which derive dividend income) have not been adjusted for, due to a lack of detailed information.

Annexure A – Independent Expert's Report (Concise Version) continued



- (b) recently there have been a number of large transactions in the agricultural sector in Australia (which has highlighted the high level of foreign investment demand for Australian agricultural companies)
- (c) a number of the transactions occurred prior to the on-set of the global financial crisis (GFC)
- (d) forecast earnings beyond the current year generally reflect an assumption that seasonal and climatic conditions will revert to more normal (average) conditions due to the inability to reliably forecast future weather patterns.

Listed company multiples

- 48 The EBITDA multiples for listed companies operating in the Australian agricultural sector and international sugar cane and milling sectors are set out in Appendix D of our full IER which is available on MSF's website at www.msfsugar.com.au and are summarised below:

Listed company EBITDA multiples (including a premium for control ⁽¹⁾)			
	Historical 2010/11	Forecast 2011/12	Forecast 2012/13
Australian listed agricultural companies			
Range	7.1 – 13.6	5.9 – 9.0	7.0 – 8.7
Median	9.5	8.1	7.6
Average	9.8	7.9	7.8
International listed sugar companies			
Range	5.4 – 12.3	5.7 – 11.3	5.8 – 9.5
Median	6.8	6.5	8.2
Average	7.6	7.5	7.7

Note:

- 1 As we are valuing a 100% controlling interest in MSF we have adjusted the listed company multiples to reflect a premium for control. Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

Conclusion on EBITDA multiple

- 49 Based on the above, in our opinion, an EBITDA multiple range of 9.5 to 10.5 is appropriate when applied to the level of maintainable operating EBITDA adopted for valuation purposes. This range includes a premium for control and reflects in particular:
- (a) expected future growth in the harvest size (and hence cane crushed and sugar produced) due to additional farming areas dedicated to sugar cane growing
 - (b) inherent spare production capacity at (three of) the mills, which given the fixed cost nature of milling operations, would be expected to significantly enhance future profitability
 - (c) the high depreciated replacement costs of the MSF mills



- (d) the effective geographic monopoly status enjoyed by sugar mills generally (due to the high transport costs associated with sugar cane harvests)
- (e) the prevailing significant overseas interest in Australian agricultural assets, in particular, in the sugar industry sector.

Enterprise value of MSF's milling operations

- 50 We have therefore assessed the value of MSF's sugar milling operations (on an ungeared basis) as follows:

MSF – value of milling operations		
	Low A\$m	High A\$m
Maintainable EBITDA	27.0	27.0
EBITDA multiple	9.5	10.5
Enterprise value	256.5	283.5

- 51 The sensitivity of our assessed valuation range to movements in A\$ sugar prices and volumes of sugar cane crushed (and implicitly sugar production) is set out below:

Milling operation value sensitivities								
Crushed 000 tpa	Sugar production 000 tpa	A\$ sugar prices / pound						
		0.215 A\$m	0.225 A\$m	0.230 A\$m	0.235 ⁽¹⁾ A\$m	0.240 A\$m	0.245 A\$m	0.255 A\$m
3,600	482	109	151	171	192	215	238	283
3,800	509	143	187	209	231	255	279	327
4,000	536	177	223	247	270	295	320	371
4,200	563	211	260	284	309	335	362	415
4,400	590	245	296	322	347	375	403	459

Note:

- 1 Mid-point of A\$ per pound prices for MSF sugar production.

- 52 The table above highlights that movements in A\$ sugar price forecasts and cane crushing levels (and hence sugar production) have the ability to significantly impact the value of MSF's milling operations, both positively and negatively.

Cross-check to implied cane crushing utilisation

- 53 Our assessed valuation of the MSF milling operations implies the following value per tonne of cane crushed:

Cross-check to implied value per tonne of cane crushed		
	Low	High
Value of milling operations (A\$m)	256.5	283.5
Maintainable crushing utilisation (Mtpa)	4.0	4.0
Value per tonne of cane crushed (A\$m)	64.1	70.9

Annexure A – Independent Expert's Report (Concise Version) continued



- 54 The mid-point of the implied value is A\$67.50 per tonne of cane crushed. We consider this implied value appropriate having regard to the transaction evidence set out in paragraph 43 above. In particular we note that the implied MSF value is:
- (a) consistent with the value implied for Proserpine Sugar
 - (b) lower than the value implied for the significantly larger Sucrogen business; and
 - (c) higher than values implied for Tully Sugar (which is a significantly smaller operation than MSF).

Sugar cane farms

- 55 MSF owns several sugar cane farming properties in the Maryborough region, which act as a source of supply of sugar cane to the Maryborough Mill⁸. For the purpose of our report we have adopted a valuation of these properties based on an independent assessment thereof by Wide Bay Property Valuations (Wide Bay) in Maryborough. The primary basis of valuation comprised a rate (A\$) per hectare of cleared and cultivated land, having regard to improvements thereon and comparable sales of land in the region. Where appropriate the valuations incorporated an allowance for sugar cane stools standing on the properties.
- 56 The independent valuations were undertaken for financial reporting purposes as at 31 December 2010. We have been advised by MSF management that based on discussions with Wide Bay, they are not aware of any movement in the market value of the sugar cane properties subsequent to December 2010 likely to have any material impact on the value of the MSF land portfolio. In the circumstances, for the purpose of our valuation, we have adopted a range of values for these properties that reflects a potential movement in market value of plus and minus 5%.
- 57 In addition to the cane farm properties, MSF also owns entitlements to 7,504ML of water for farmland irrigation purposes from the Lower Mary River Irrigation Scheme. The majority of the cane farm properties owned by MSF are irrigated from this source. These water entitlements have been valued by Wide Bay having regard to trading in water entitlements in comparable schemes in the region⁹.
- 58 Based on the above we have adopted a combined value range of A\$47.5 million to A\$52.7 million for the sugar cane farming properties owned by MSF¹⁰, together with the value of related water rights, as follows:

⁸ Collectively these properties represent approximately a quarter of the hectares in the Maryborough region dedicated to the growing of sugar cane for supply to the Maryborough Mill.

⁹ We have been advised that separate water entitlements under the Lower Mary River Irrigation Scheme have only recently been established and that accordingly any related market for the trading of these water entitlements is in its infancy.

¹⁰ This value implicitly includes the value of sugar cane currently standing on the properties.



MSF – value of sugar cane farms / water rights ⁽¹⁾		
	Low A\$m	High A\$m
Sugar cane farms	43.8	48.1
Water entitlements	3.7	4.6
	<u>47.5</u>	<u>52.7</u>

Note:

- 1 Our assessed values also reflect an adjustment for the potential tax liability that would arise on a disposal of the cane farms and related water entitlements. For valuation purposes we have discounted the potential tax liability.

Other properties

- 59 MSF owns other properties no longer integral to the sugar cane growing and milling activities undertaken. These include the proposed Mary Harbour residential development and the former sugar mills at Babinda and Mourilyan. For the purpose of our report we have adopted the following valuations of these properties:

MSF – other properties		
	Low A\$m	High A\$m
Mary Harbour residential project ⁽¹⁾	7.0	8.8
Babinda and Mourilyan mills ⁽²⁾	2.3	2.3
Other properties	3.9	3.9
	<u>13.2</u>	<u>15.0</u>

Note:

- 1 Value reflects re-zoning of land from rural to urban use in September 2011, net of applicable deferred tax liability.
2 Stated net of related land remediation costs.

Investment in STL

- 60 MSF holds a minority 13.3% interest in STL, which owns the bulk sugar export facilities in Queensland. STL is operated by QSL under a leasing arrangement. The MSF shareholding comprises a combination of G class (grower) and M class (miller) shares. The G class shares are listed on the National Stock Exchange of Australia, although associated liquidity is very low. The M class shares are not listed on any stock exchange.
- 61 In addition, MSF is party to an agreement¹¹ which enables MSF to acquire an additional 15.3 million M class shares in STL (representing 4.2% of the total issued capital) from Bundaberg Sugar at a price of A\$0.90 per share.

¹¹ The Share Sale and Purchase Agreement expires on 24 December 2011. The Share Sale and Purchase Agreement is subject to MSF obtaining finance to fund the share purchase on terms satisfactory to MSF. If MSF does not obtain satisfactory finance prior to 24 December 2011, such that it is able to complete the acquisition, the Share Sale and Purchase Agreement will terminate.

Annexure A – Independent Expert's Report (Concise Version) continued



- 62 Given the minority interest nature of this share parcel and the concurrent nature of the potential transaction, we have adopted the price of A\$0.90 per share as agreed between the parties for the purpose of our report.
- 63 The option relates to M class shares in STL. However, as the rights and restrictions attaching to the M class and G class shares are largely consistent, we have adopted the price of A\$0.90 per share in respect of both the M class and G class shares in STL held by MSF.
- 64 Based on the above we have assessed the value of the investment in STL at A\$43.2 million, as follows¹²:

Shares in STL held by MSF	
	Million
G class shares	34.7
M class shares	13.3
	<u>48.0</u>
Adopted value per share	A\$0.90
Value of investment (A\$m)	<u>A\$43.2</u>

- 65 We also consider our adopted value of the MSF investment in STL to be reasonable having regard to the implied fully franked dividend yield of 6.4%, based on dividends distributed by STL in FY11¹³.

Net debt

- 66 MSF's borrowings comprise a mixture of seasonal debt and core debt. The seasonal borrowings fluctuate over the year, with peak seasonal borrowings traditionally in July at the start of the harvesting season. For valuation purposes therefore we are of the opinion that it is appropriate to consider the average net borrowings throughout the year (rather than the net borrowings at a point in time) when determining the value of the equity in MSF.
- 67 On this basis, and having regard to current cash and debt levels and the forecast average net debt expected for 2012 (previous years' debt levels are less relevant for assessing average net debt given recent acquisitions by MSF and the related subsequent increase in debt levels), we have adopted net borrowings of A\$75 million to A\$80 million for valuation purposes.

Shares on issue

- 68 MSF currently has 69.2 million shares on issue. In addition the company has:
- 0.9 million options on issue, which will raise A\$1.9 million upon exercise
 - performance rights outstanding which will result in the issue of 0.3 million new shares if performance hurdles are achieved. However, in the event of a takeover or other change in control event the MSF Board can waive the respective performance hurdles to

¹² No tax liability has been assumed for the STL shares as the company has no plans to dispose of these shares and based on the tax cost base any potential liability would not be material at the assessed value of \$0.90 per share.

¹³ STL has a stated policy to pay as high a dividend as possible, having regard to its financial position and obligations under the Corporations Act.



allow the performance rights to become immediately exercisable. Accordingly, when valuing 100% of the shares in MSF, in our opinion, it is appropriate to assume these additional shares will be issued.

69 For valuation purposes therefore we have assumed 70.3 million fully diluted shares on issue.

Value of MSF

70 On this basis, the value of MSF shares on a 100% controlling interest basis is as follows:

Valuation of MSF		
	Low A\$m	High A\$m
Enterprise value of milling operations	256.5	283.5
Value of cane farms and water rights	47.5	52.7
Value of other properties	13.2	15.0
Value of STL shares	43.2	43.2
Other assets ⁽¹⁾	9.7	11.7
Cash from exercise of options	1.9	1.9
Enterprise value	372.0	408.0
Less net debt	75.0	80.0
Value of equity	297.0	328.0
Fully diluted shares on issue (million)	70.3	70.3
Value per MSF share (A\$)	A\$4.22	A\$4.67

Note:

1 Includes our assessed value of tax losses held by MSF that arose out of the acquisition and subsequent operation of the NMJV assets, together with hedging losses when marked to market based on our midpoint sugar prices.

Cross-check to pre-announcement share trading range

71 We have cross-checked our assessed value of the equity in MSF to the listed market price of MSF shares adjusted for a premium for control. We note that:

- (a) MSF is the only ASX listed sugar company and as such holds a unique position on the ASX
- (b) MSF is researched and analysed by three share broking firms and has institutional investors on its register
- (c) significant information has been disclosed in relation to MSF's operations in its financial reports and stock exchange announcements
- (d) MSF has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning MSF which a reasonable person would expect to have a material effect on the price or value of MSF.

72 In order to cross-check our valuation of MSF shares we have considered the listed market price of MSF shares up to 4 November 2011 (the last day of trading prior to MSF entering

Annexure A – Independent Expert's Report (Concise Version) continued



into the trading halt which preceded the announcement of the intention to make the Offer), adjusted for a premium for control.

- 73 The volume weighted average share prices for MSF in the one and three month periods up to 4 November 2011 were A\$3.23 and A\$3.24 respectively (refer Section II for detailed calculations). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).
- 74 Adding a 30% to 35% premium for control to these share prices would therefore result in a theoretical "control" value of A\$4.20 to A\$4.37 per share. While the high end of our assessed valuation range (and the Offer consideration) exceeds the high end of this theoretical "control" value, we note that it is not uncommon for premiums above 30% to 35% of the pre-bid market price to be paid.



II Evaluation of the Offer

Summary of opinion

75 LEA has concluded that the Offer is fair and reasonable. We have formed this opinion for the following reasons.

Assessment of fairness

76 Pursuant to RG 111 an offer is “fair” if:

“The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.”

77 This comparison is shown below:

	Low A\$ per share	High A\$ per share	Mid-point A\$ per share
Value of Offer consideration	4.45	4.45	4.45
Value of 100% of ordinary shares in MSF	4.22	4.67	4.45
Extent to which the Offer consideration exceeds (or is less than) the value of the ordinary shares in MSF	0.23	(0.22)	-

78 As the consideration offered by Mitr Phol is consistent with our assessed value of 100% of the ordinary shares in MSF, in our opinion, the Offer is fair.

Assessment of reasonableness

79 Pursuant to RG 111, an offer is reasonable if it is fair. Consequently we have concluded that the Offer is both fair and reasonable.

80 In assessing whether the Offer is reasonable LEA has also considered:

- (a) the extent to which a control premium is being paid to MSF shareholders
- (b) the extent to which a share of the synergies likely to arise upon an acquisition of MSF by Mitr Phol are being shared with MSF shareholders
- (c) the listed market price of MSF shares both prior to the announcement of the intention to make the Offer and after the announcement of the Offer
- (d) the likely market price of MSF shares if the Offer is not successful
- (e) the position of MSF shareholders if Mitr Phol acquires 50.1% but less than 100% of the MSF shares on issue
- (f) Mitr Phol’s current shareholding in MSF
- (g) the value of MSF to an alternative offeror and the likelihood of an alternative offer emerging, either prior to the close of the Offer, or sometime in the future
- (h) other risks, advantages and disadvantages.

81 These issues are discussed in detail below.

Annexure A – Independent Expert's Report (Concise Version) continued



Extent to which a control premium is being paid

82 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

83 We have calculated the premium implied by the Offer of AS\$4.45 per share by reference to the market prices of MSF shares up to and including 4 November 2011 (being the last trading day prior to the announcement of the intention to make the Offer on 9 November 2011)¹⁴, as shown below:

Implied offer premium relative to recent MSF share prices		
	MSF share price AS\$	Implied control premium %
Offer consideration	4.45	
Closing share price on:		
4 November 2011 ⁽¹⁾	3.40	30.9
5 October 2011 (1 month prior)	3.01	47.8
5 August 2011 (3 months prior)	3.20	39.1
Volume weighted average price (VWAP):		
1 month to 4 November 2011	3.23	37.8
3 months to 4 November 2011	3.24	37.3

Note:

- 1 Being the closing price on the last day of trading prior to the trading halt which preceded the announcement of the intention to make the Offer on 9 November 2011.

84 Given the relatively high implied premiums we have concluded that the consideration implies an offer premium which is consistent with or above the average premiums paid in successful takeovers generally.

¹⁴ Prior to the commencement of trading on Monday, 7 November 2011 MSF requested a trading halt in its shares pending an announcement in respect of a material control transaction. The intention to make the Offer from Mittr Phol was subsequently announced prior to the commencement of trading on 9 November 2011.



85 Accordingly, in our opinion, MSF shareholders are being compensated for the fact that control of MSF will pass to Mitr Phol if the Offer is successful.

Extent to which shareholders are being paid a share of synergies

86 Mitr Phol does not have any Australian operations independent of its existing interest in MSF, and has indicated an intention to retain the MSF head office subsequent to completion of the Offer¹⁵. Accordingly, MSF management have estimated that any synergies associated with the Offer are likely to be confined to cost savings resulting from the potential delisting of MSF from the ASX and related regulatory matters no longer required.

87 In the circumstances, based on our understanding of the likely nature and quantum of potential synergies, in our opinion, the potential synergies arising from the transaction are unlikely to be material in the overall context of our assessed value of MSF.

Recent share prices subsequent to the Offer

88 MSF shares have traded on the ASX in the range of A\$4.34 to A\$4.52 per share since the intention to make the Offer was announced up to 9 December 2011. The VWAP for the period was A\$4.42 per share, and on 9 December 2011 MSF shares last traded at A\$4.47 per share.

89 MSF shareholders should note that MSF shares have, on occasion, traded marginally above the Offer price. In our view this suggests that:

- (a) in the absence of a superior proposal the consensus market view is that the Offer is likely to be successful
- (b) some investors believe that there is some prospect of a higher offer given the recent level of corporate activity in the Australian sugar industry.

90 MSF shareholders considering selling their MSF shares on the ASX will need to consider brokerage costs and should note that:

- (a) the MSF share price on the ASX is subject to daily fluctuation
- (b) MSF shareholders who sell their MSF shares on the ASX will not obtain the benefit of any superior proposal should this eventuate.

Position if Mitr Phol acquires at least 50.1% or more but less than 90% of MSF

91 MSF shareholders should note that the Offer is currently conditional on Mitr Phol acquiring at least 50.1% of MSF shares. Should Mitr Phol acquire 50.1% but less than 90% of MSF, Mitr Phol will control MSF including its day-to-day management, strategic direction and level of dividend payments. Should this occur the liquidity of MSF shares may be diminished which may result in a fall in the price of MSF shares.

92 In addition, change in control provisions in agreements to which MSF is a party may be triggered with potentially adverse consequences for MSF shareholders.

¹⁵ Bidder's Statement Section 7.10(e).

Annexure A – Independent Expert's Report (Concise Version) continued



Mitr Phol's current shareholding in MSF

- 93 At the date of the Offer, Mitr Phol had a relevant interest in approximately 22% of the shares on issue in MSF. The majority of this shareholding was acquired from GPG in November 2010 at a price of A\$4.00 per share.
- 94 Whilst Mitr Phol could therefore prevent a competing bidder from proceeding to compulsory acquisition of MSF, it does not control MSF and, in our opinion, should therefore pay an appropriate premium for control.

Likelihood of an alternative offer

- 95 We have been advised by the Directors of MSF that no formal alternative offers have been received subsequent to the announcement of the intention to make the Offer on 9 November 2011.
- 96 Further, as Mitr Phol already owns 22.01% of MSF shares, Mitr Phol would need to agree to sell its shareholding in order for an alternative offeror to acquire 100% control of MSF.

Likely price of MSF shares if the Offer is unsuccessful

- 97 In our opinion, if the Offer is unsuccessful and in the absence of an alternative proposal, it is likely (at least in the short-term) that MSF shares will trade at a discount to our valuation and the Offer consideration of A\$4.45 per share (consistent with the difference between the value of MSF on a portfolio basis and the value on a 100% controlling interest basis).

Conclusion

- 98 Based upon the above we have concluded that the Offer is fair and reasonable.

Other matters

- 99 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and Target Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.
- 100 The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice specific to their circumstances.



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Target Statement to be sent to MSF shareholders in connection with the Offer.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at A\$135,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Annexure A – Independent Expert's Report (Concise Version) continued



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)



Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared many hundred independent expert's reports.
- 2 This report was prepared by Mr Edwards and Mr Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 17 years and 25 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Directors of MSF to accompany the Target's Statement to be sent to MSF shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the shareholders of MSF.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Offer. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with MSF or Mitr Phol prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, MSF agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MSF which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in MSF's Target Statement.

Annexure A – Independent Expert's Report (Concise Version) continued



Appendix C

Glossary

Term	Meaning
Agreement	Takeover Implementation Agreement dated 9 November 2011
ASIC	Australian Securities & Investments Commission
CCS	A measure of the recoverable sugar in the cane
COFCO	China National Cereals, Oils and Foodstuffs Corporation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
G class shares	Active growers share class in STL
GFC	Global financial crisis
GPG	Guinness Peat Group plc
IER	Independent expert's report
IPS	International Pol Scale
LEA	Loneragan Edwards & Associates Limited
M class shares	Active millers share class in STL
Mitr Phol	Mitr Phol Sugar Corp Ltd
MI	Mega litre (1 million litres)
MSF	MSF Sugar Limited
Mt	Million tonnes
Mtpa	Million tonnes per hour
No. 11 sugar contract	ICE Sugar No.11 futures contract
NMJV	Northern Milling Joint Venture
Offer	Takeover offer for all the ordinary shares in MSF not held by Mitr Phol at an offer price of A\$4.45 cash per share
Proserpine Sugar	Proserpine Co-operative Sugar Milling Association Ltd
RECs	Renewable energy certificates
RG 111	Regulatory Guideline 111 <i>Content of expert reports</i>
STL	Sugar Terminals Limited
VWAP	Volume weighted average price
Wide Bay	Wide Bay Property Valuations
Wilmar	Wilmar International Ltd

Corporate directory

Registered Office

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Gordonvale
QLD 4865 Australia

Offer Information Line

1300 551 472 (within Australia)
+61 2 8280 7706 (from outside Australia)
Website: www.msfsugar.com.au

Directors

James Jackson
John Burman
James Hesp
Craig Mills
William Moller
Sue Palmer

Company Secretary

Chris Lobb

Share Registry

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane
QLD 4000 Australia

ASX company code

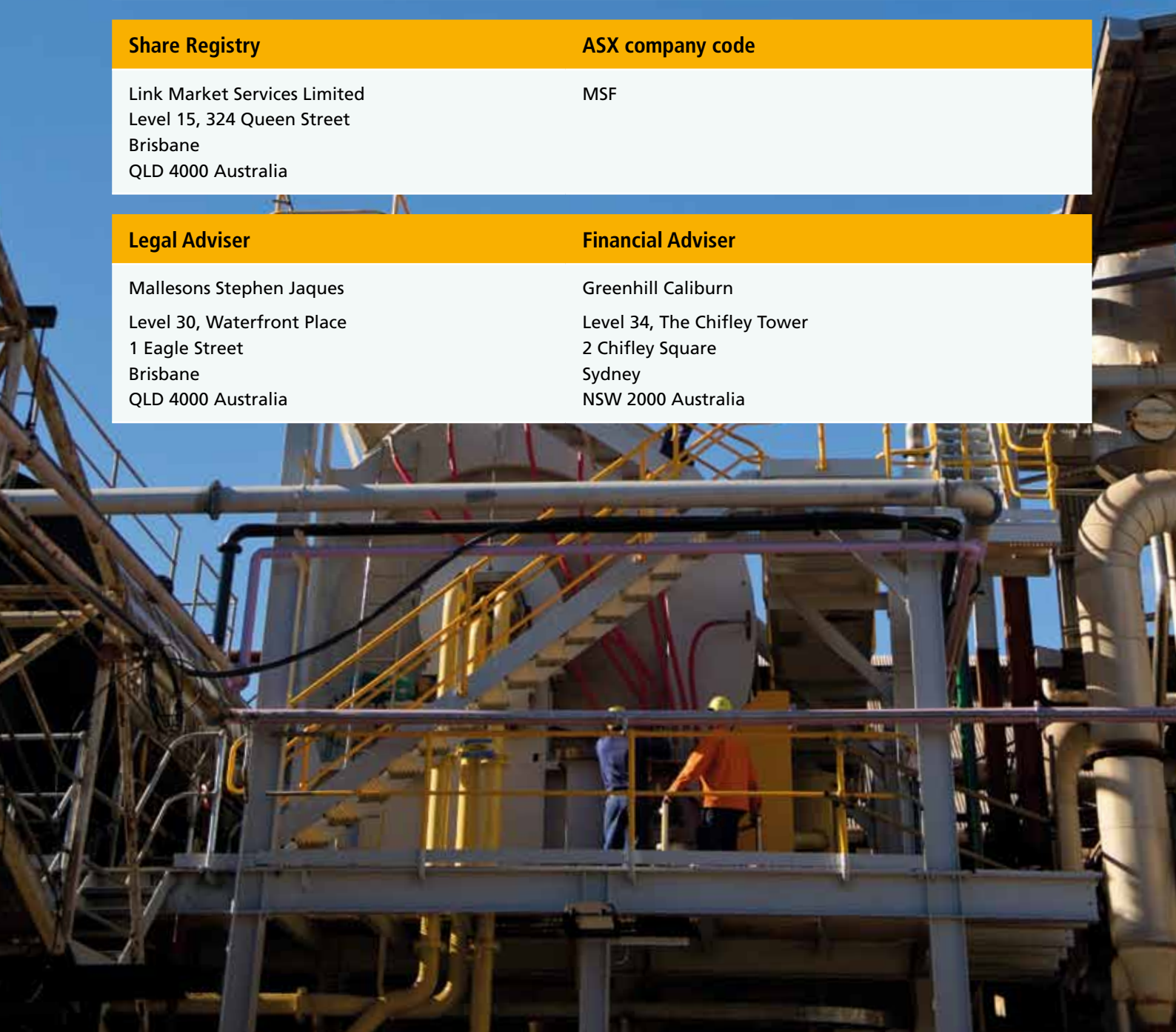
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