



COMPANY ANNOUNCEMENT

8 February 2011

NORTHERN MILLING JOINT VENTURE ANNOUNCES PROPOSAL TO CLOSE BABINDA MILL

The Northern Milling Joint Venture comprising Bundaberg Sugar Ltd and The Maryborough Sugar Factory Ltd today, 8 February 2011, announced a proposal to close its Babinda Mill and transfer its operations to the Mulgrave and South Johnstone mills.

This proposal would create a world-competitive long-term sustainable sugar industry in Far North Queensland. Cane growing and milling in the Babinda region would continue unaffected and growers would direct their cane to either the Mulgrave or South Johnstone mills on existing cane train lines should Babinda close.

If the closure goes ahead, the Joint Venture has committed to invest an initial \$8 million at South Johnstone, Tableland and Mulgrave Mills, so that cane can be crushed in a normal season length for the region.

This proposal will be the subject of consultation with employees and their union representatives to minimise any impact on employees.

Joint Venture Operations Manager and Maryborough Sugar Factory CEO, Mr Mike Barry said the proposal to close Babinda Mill was made as a result of the loss of large cane areas in the region over the past 10 years. The final trigger for the proposed closure is a combination of the direct loss of around 300,000 tonnes of cane from the Upper Murray Kennedy region to Tully Mill and a reduced forecast as to the quantity of available cane for the 2011 season. These forecast quantities of cane for 2011 remain consistent with our previous market update of 3 February 2011.

Mr Barry said the proposed decision has been very difficult to make but the reality was that continuing to operate Babinda Mill was no longer viable, particularly given the excess capacity available at Mulgrave and South Johnstone.

He said that closure of the Babinda Mill would result in redundant positions but the Joint Venture would, in consultation with employees and unions, identify opportunities to redeploy as many employees as practicable. A total of 62 permanent employees currently work at the site.

“If the closure proceeded the Joint Venture would make every effort to redeploy as many staff as possible. The exact number of redundancies would depend on how many people could be transferred to other mills sites.

“Mulgrave and South Johnstone Mills are currently reviewing their operations and any new positions created would be offered to current Babinda Mill employees.

“All Babinda Mill apprentices will continue their training until completion,” Mr Barry said.

The Joint Venture would also identify possible employment opportunities at other Bundaberg Sugar and Maryborough Sugar Factory sites.

Employees who choose not to accept other positions or were made redundant would receive their full entitlement under the terms of their Enterprise Bargaining Agreement and would be actively assisted with job search training. The Joint Venture has given this assurance to the employees and their unions and further discussions will commence immediately on these issues.

Mr Barry said that over the past 10 years, the area lost to cane equated to more than one million tonnes. The losses had largely been to other enterprises such as Managed Investment Scheme plantation tree operations, bananas, cattle and urbanisation.

“Against this cane loss this region has held on to three mills for several years. Alternative operating regimes utilising the three coastal mills were examined but were not considered viable or sustainable on the basis of the information currently available,” he said.

Consultation with unions and Babinda Mill employees are currently underway.

A final decision on the proposed closure is likely to take place in about two weeks.

ENDS

For further information please contact:

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