



Producers of Natural Food Fibre and Energy

**Information Document for Shareholders and Prospective
Shareholders Issued 03 July 2006**

1. Preparation for the Construction of 4 Energy Parks
2. Strategic purchases of businesses to increase farm productivity
3. Marketing of shareholders production of raw sugar
4. Reducing the cost of the milling service through revolutionary juice extraction at the factory and on the farm
5. Managing, buying and leasing cane farms through a Cooperative run FARM SUPERANNUATION SCHEME

A number of meetings have been conducted with Shareholders last month. The purpose was to update Shareholders of developments in:

1. The ethanol and electricity plants proposed for construction in the Burdekin,
2. Negotiations for the construction of the Infield Biomass Processor, and
3. Strategic business interests and activities.

Ethanol Negotiations:

Four niche energy parks are proposed for the Burdekin. Each plant will source 100% cane and trash from growers within about a 10km radius. The Cooperative will coordinate transport (and harvest). Billets will be separated and moved on to CSR where this is a contractual requirement.

For growers further away from the plant, the Cooperative will source a minimum of 15% of shareholder cane for juicing at the farm. Price is subject to rise and fall in electricity and ethanol markets but unlike the payment for raw sugar, growers will be paid in full within 28 days and net of harvesting and processing costs.

The Cooperative is targeting a net reduction in the combined cost of harvesting and milling of \$6:00 per tonne of cane.

Shares in the plant will be offered in exchange for long-term supply contracts. Shares in the land purchases and related business purchases will be made available immediately.

Strategic Business Purchases:

The Board has determined the best value-return for shareholders is to adopt precision farming strategies and to provide excellence in decision-making for farm inputs.

As a first step the Cooperative will provide a five-year electro-magnetic (EM) mapping program to all shareholders. Farms will be progressively mapped as fallow becomes available. Soil sampling, data assessment and agronomic advice will be included.

Data sets will be made available to support precision-application from contractors.

Savings in annual farm inputs in excess of \$50 per hectare are achievable. Shareholders should benefit as soon as the first round of mapping is completed.

Marketing of Raw Sugar

The Cooperative will enter into negotiations with CSR and QSL for the marketing of raw sugar produced by shareholders.

Many growers are resigned to the belief that this is not possible – they are wrong. What is required is a commercial structure the growers can operate through which support collective dealings in domestic and export markets. The Cooperative will at a minimum seek to ensure growers retain a full say in how their sugar is marketed.

The strategy will require in part that growers keep one hectare of 2007 fallow under cane until the negotiation is completed. Shareholders must sign cane to Cooperative to allow bargaining with QSL and CSR to commence.

Successful action should remove all obstacles to growers selling their own sugar as part of a collective and guarantee full transparency in pricing. The cooperative will consider rolling this out to growers supplying in other mill areas.

Infield Biomass Processor:

Negotiations are continuing. The strategy for introducing the technology has not altered materially. Priority is being given to the erection of the first processing system for integration into the Energy Park infrastructure. Mobilisation of the technology will follow as expeditiously as possible.

Matching government funding applications are being prepared to match the \$800,000 in contributor payments and pledges.

There is no change either to our determination to secure a share in the technology for the contributors. Returns to the contributors will likely be sourced from a mix of rebates and royalties. Contributions are tax deductible only.

The Board reserves the right to refund all contributions received less expenses at any time or in the event a satisfactory share of the technology is not negotiated. A further update will be provided in September 2006.

Managing, Buying and Leasing Cane Farms through a Cooperative run Farm Superannuation Scheme:

Growers are asked to provide expressions of interest for the managing, sale or lease of their cane farms.

Superannuating the farm will be an option fast-tracked for consideration should we have enough expression of interest shown.

Shareholders need to:

For Electricity/Ethanol Negotiations, Strategic Business purchases (EM Mapping):

- | | |
|-----------------------|---|
| Cost to shareholder: | \$50 per hectare (= to 50cents per tonne of cane) over five years commencing 2006 |
| Minimum requirements: | 10,000 hectares (=1,000,000 tonne equivalent) from shareholders committed to \$50 per hectare cost program;

90% of shareholders committed to ethanol/electricity negotiations |
| Negotiation needs: | Confirmation from 90% of shareholder they will supply a minimum of 15% of cane production over the next five years subject to terms generally as follows:
a. Crop and/or juice is collected from the farm
b. Crop and/or juice collected from the farm is paid for in full in 28 days
c. In exchange for the five year commitment the shareholder receives a dividend on their shares in the Cooperative as part of the Cooperatives investment in the energy park development |

For Marketing of Raw Sugar:

Cost to shareholder: Costs drawn from raw sugar sale proceeds

Minimum requirement: Greater than 75% of shareholders committed to strategy and sign cane to the Cooperative.

Negotiation needs: Confirmation that the shareholder will supply a minimum of one hectare of cane production from his fallow 2007 and 2008.

Biomass Processor:

Cost to Shareholder: \$10,000 minimum tax deductible contribution

Minimum

Farm Superannuation Scheme

Cost to shareholder: TBA

Minimum participation: 40,000 tonne equivalent

Negotiation needs: Confirmation of interest from shareholder to option of either have the farm managed by or sold or leased to the Cooperative.

Plan B – The Energy Park

All growers should now be aware that the cooperative is championing the Infield Biomass Processor. Not all growers will be aware that the IBP is proposed for integration into an energy park proposal.

We have attracted a second bidder for Burdekin grower's cane.

- a) The energy park will produce electricity and ethanol
- b) The energy park will incorporate the juice extraction technology referred to in the IBP information statement of Feb 2006
- c) Proposed is a minimum of three energy parks for the outer Burdekin areas
- d) The desired feed stocks are cane and giant sweet sorghum

There are two disclosures being made to shareholders as part of this agenda item:

1. The first deals with the energy park,
2. The second deals with the future of the IBP and some good news for those that have contributed and for those rethinking contributing.

Energy Park

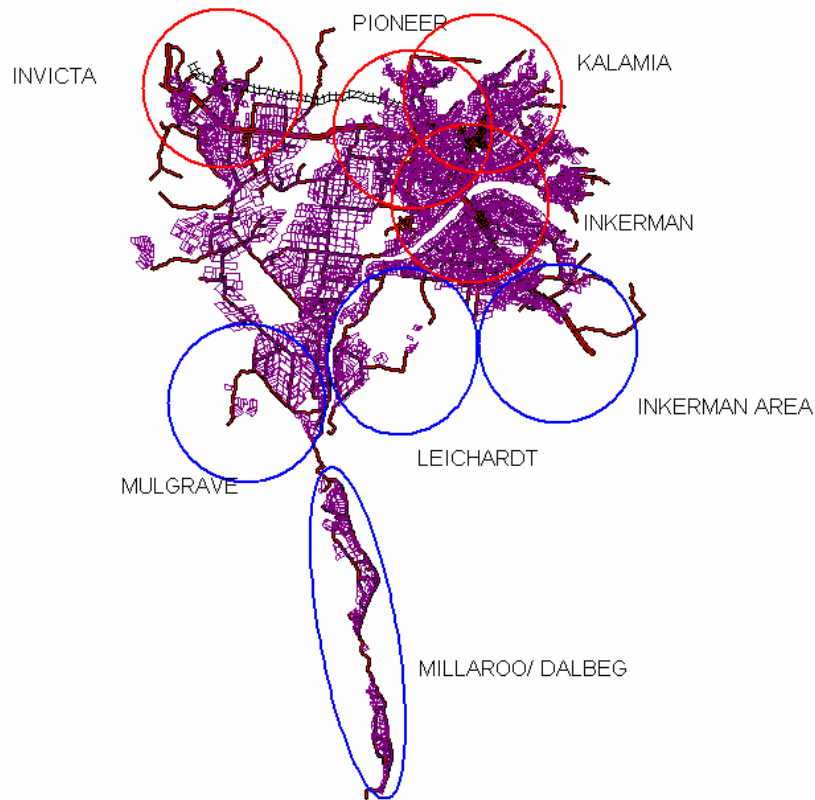
The Cooperative is now seeking investment for the construction of 3 energy parks. A forth is a definite prospect. The Burdekin is still not producing biomass to its potential. It is fair to say also that the growers in the Burdekin are not in a position to weather another raw sugar commodity downturn at anytime in the near future.

Diversification is still firmly in our thoughts.

Presently biomass production is limited to sugar cane. Whilst cane remains the crop of choice it is worth noting that production from giant sweet sorghum offers a large number of complimentary attributes, particularly when reviewing canegrub control, salinity minimization and strategies for underpinning feedstock supply.

The crop also has the potential to significantly reduce the dependence on cane for energy production in those years where raw sugar commodity prices are good and to aid recovery from events like Cyclone Larry when low yield cane must be committed to a minimum raw sugar make.

The table below provides an indication of the locations of the current milling infrastructure and economic boundaries of influence.



The factories are primarily dedicated to raw sugar production from the juice they extract from cane. The factories are owned by CSR and have number economic advantages, primarily the huge capital investment required for milling trains which was made decades ago and the factory sites are acceptable for the production of raw sugar and a limited number of by-products.

Their biggest economic disadvantage is that the technology has been superseded, and they are not relocatable which for most means that any expansion in cane production will equate to longer seasons and lower returns to the growers.

The next map indicates the locations for the satellite energy parks. Have no doubt that these are real.

1. Leichhardt vicinity
2. Millaroo/Dalbeg vicinity
3. Inkerman Hill and
4. Mulgrave vicinities

All plant will incorporate electricity, ethanol and juice extraction capabilities. The plants in Inkerman and Mulgrave are being promoted to the district to support a horizontal expansion to cane and sweet sorghum.

Each energy park will produce electricity between 5 – 7.5 mgw (to put this in perspective, Pioneer is a 30mg plant), 5mg of which will be used for co-production of 20 mltrs of ethanol and 2.5 mgw for export to the grid.

The Technology:

The co-operative will coordinate the harvests. Harvesting will be modified and similar to the system used in the northern rivers. The whole crop will be harvested green and cleared for processing by road transport. The harvesters are to be modified to present a shorter billet cut. Conventional harvesters will be used in the first two years with all extractors turned off and the crop harvested green.

Once delivered to the energy park the crop is separated into trash and billets. Depending on the contract each grower holds with CSR, the billets will be either on-delivered to CSR for conventional processing or juiced on site and juice delivered to CSR for processing. If juiced on site at the energy park then the energy park will retain the fines for further processing along with a % of the juice as might be provided under the contract with the grower.

The juicing technology is that disclosed in our information statement and will be integrated into the energy park processing systems. Development will only be taken to the relocatable stage. For growers outside the area of biomass recovery economic zone (the blue zone) the Cooperative will take the relocatable biomass processors to you to collect juice from the farm thereby ensuring all growers participation.

The furnace technology proposed has been developed by CSIRO and is a rotating kiln. In short the rotating kiln as a furnace system has been around for centuries. However innovations integrated into the kiln and airflow dynamics add a high degree of efficiencies to the system whilst preserving its greatest attribute – the flexibility to use a very broad range of fuel from coal, timber and municipal wastes through to cane trash and chicken litter. In fact the Southern Inkerman developmental proposal will recommend strongly that pest woody weeds like prickly acacia be destroyed as a fuel source in the kiln during property development.

The ethanol technology is adaptable to feedstock from either cane or sweet sorghum. Praj was engaged by the Mossman community when considering upgrades to the Mossman Central Sugar mill and have been to the Burdekin to review our projects in anticipation of the Cooperative commencing feasibilities.

In summary the processing sites will feature:

- Tummel separation system from Wollongong
- Co-gen furnace using the CSIRO rotating kiln technology
- Juice extraction in the form of an integrated biomass processor
- The first site will be dedicated to ethanol production

Shareholders will be asked to participate on the following basis:

Year 1

In Year 1 of the pilot plant's completion; growers within the biomass recovery economic zone will be asked to supply 100% of the crop to the plant for separation into trash and billets. The energy park will provide the separation service whereby the delivery is split into trash for retention at the plant and clean billets for delivery to CSR under any existing contracts growers have.

Outputs will be electricity and to commence the juicing of some cane and sorghum

Returns to growers in these areas will approximate to an extra \$3 per tonne

Year 2 and 3

In year 2 and 3 the energy park will progressively juice all billets, the first extract juice will be forwarded CSR for crystallisation and the residual will be retained for further processing.

Extra juice will be purchased from growers outside the biomass recovery economic zone for conversion to ethanol. Growers will also be offered attractive contracts for the growing of sweet sorghum in fallows to be followed by a rotation of pulse cropping prior to a late plant for cane.

Growers within the biomass economic recovery zone will be able to access dunder and ash which has not been available to them in the past due to transport and handling reasons.

Outputs will be electricity, ethanol, dunder and ash and will reduce the cost of processing by approx \$6.00 per tonne where the biomass processing system is used regardless of the fluctuation in commodity prices.

Participation

Land for the Energy Park

We need to purchase land and complete feasibilities. All shareholders are asked to accept a levy equivalent to 50cents per tonne on all cane delivered to CSR for the next five years. The 50 cents will be used for land purchases and the completion of feasibilities. For every \$2 contributed by shareholders they will receive \$1 in share capital. The land purchased for the energy parks will underpin the share capital and returns. The balance of funds will meet the costs of feasibilities and approvals with returns subject to the rentals to be negotiated.

Biomass Processor:

The contribution pledges received to date amount to \$800,000 and 80 shareholders out of 150. If we can match this to funding from the last round of the sugar package we will be close to the \$2m it was estimated to develop a stationary version of the biomass processor. The stationary version will go into each plant.

So whilst the Cooperative did not achieve the target set in the Information Statement we still retain extremely strong prospects for completing the all important first stage of the program. The Cooperative will continue to negotiate on behalf of the contributing shareholders for a share in the IP. It will do so on the basis that the Cooperative will split its share 50/50 with the contributing growers. It will be the basis of our negotiation and the cooperative will divide any share achieved in half and apportion that half between the contributing shareholders. **This is a separate investment to the energy park.**

The cooperative is determined to take delivery of the first five plants for the benefit of its shareholders. Any shareholders or growers interested may still use the time available prior to completion of these negotiations to take up their opportunity in the new technology.

Participation is no longer limited to \$10,000 per grower entity and there is a number of ways to meet your contribution. The contribution amounts to approx 50 cents per tonne over two years for a 10000 tonne grower.

The building of the energy plants

None of the plants will be built unless we negotiate favourable terms for our shareholders. It is the growers promise to supply that will generate the finance for anyone else taking an interest in the plant. We can see no reason for anyone else to profit greater than the growers.

At a minimum those growers accessing the juicing technology will be approx \$6 ahead in processing cost reductions, regardless of the raw sugar commodity price.

All shareholders are asked to confirm in writing that their Cooperative will be able to negotiate a minimum of 15% of their cane supply over five years towards the new plants as they progressively come on-line. Growers within the biomass economic recovery zone of each new plant are asked to supply 100% of their cane trash and billets, regardless of whether the billets go to CSR or not. If billets then have to go to CSR they will, as long as the energy park can pay you for your trash.

The Cooperative will negotiate the following critical terms in exchange for your commitment to supply a minimum of 15% of your cane over five years:

- 1 The successful integration of the new biomass juicing technology into the energy park infrastructure
- 2 Access to income streams relative to electricity and ethanol, and
- 3 In exchange for long-term supply of five years that each supplying grower receives equity in the energy park.

These negotiations are in progress with Renewable Energies Australia who is bidding for your cane and to complete the electricity plant using the rotating kiln technology under license from CSIRO.

Shareholders will be forwarded the relevant levy authorities and consent to negotiate for 15% of your cane supply next week. This paperwork must be returned by the 30th June 2006 to ensure the application to the last round of government funding is not missed.