



Sugar Terminals Limited 2004 Annual General Meeting

Chairman's Address

Good morning and welcome to the 2004 Annual General Meeting of Sugar Terminals Limited.

Firstly let me talk about the financial results and matters pertaining there to.

Net profit after tax for the year ended 30th June 2004 was \$16.813 million which compares of a net profit, after tax for the previous year of \$14.390 million.

The increase in profit is principally due to rental being received for the new Townsville storage facility from 1st January 2003.

A dividend of 2c per share fully franked will be paid to shareholders listed on the share register on 3rd December 2004, the dividend payment date will be 15th December 2004.

After taking into consideration the cash equivalent of the franking credit, the dividend and credit amount to 2.86c per share. The previous year dividend has a cash equivalent of 5.71c per share.

On 16th August 2004 I wrote to all shareholders and said a Notice of Dispute had been received in relation to the new Townsville terminal facility.

To summarise, in mid 2002 Sugar Terminals Ltd (STL) and Queensland Sugar Ltd (QSL) entered into an agreement under which QSL acted as agent for STL in relation to the total project of the construction of the new Townsville facility.

QSL acknowledged in that agreement that STL was relying on the advice, skill and judgment of QSL to carry out the project. QSL in turn engaged an experienced superintendent (Enthalpy).

On advice from QSL the project was not covered by a Turnkey contract but a number of contracts were entered into, including the major contract with Walter Construction Group Ltd (Walter). During the process of construction there were a number of disputes which STL, through QSL, made every reasonable effort to resolve. This included participating in structured settlement negotiations with Walter with the assistance of a leading independent facilitator, Mr Ian Hanger QC. This process lasted some months. Earlier this year Walter made a claim on QSL as agents for STL of \$14.2 million.

The superintendent of the project rejected Walter's claim and issued a payment certificate of \$4.2 million due by Walter to the principal (QSL as agent for STL). The \$4.2 million was payable because of Walter's delay in achieving practical completion. This delay continues.

Walter failed to pay the progress certificate and to protect its position STL called up a guarantee by Deutsche Bank on behalf of Walter for \$4.2 million.

A notice of dispute was issued by Walter and in July 2004 the parties went to mediation. In the lead up to the mediation, Walter's claims were extensively reviewed. The mediation went for 2 days and notwithstanding QSL's best efforts, the mediation failed to resolve the dispute.

Practical completion of the facility has not been issued and there are number of defects outstanding. Since the mediation, we have received no further communication from Walter regarding resolution of the dispute.

In relation to the reduced dividend, your directors did not take this decision lightly but with the view that your company needs to demonstrate it has the financial strength and resources to vigorously defend any proceedings instituted and comply with any judgment or negotiated settlement. The directors considered additional bank borrowings or an extension of the term of the bank loan to fund a higher dividend and any settlement amount. The bank's position is to require repayment of the existing loan by June 2008 which is the end of the initial term of the sublease arrangements with QSL and STL's forecast cash flows do not permit the repayment of any additional borrowings if a 100% payout is maintained. If the dispute can be resolved expeditiously and depending on the amount of any settlement, retained earnings and the cash flows of the company, the directors will consider payment of a special dividend.

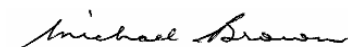
I have asked also Mr John Baartz of Allens who is acting for Sugar Terminals Limited and Queensland Sugar Limited to provide some further details concerning the dispute to further inform shareholders of the issues involved in the dispute.

It is critical at this time for Sugar Terminals Limited and Queensland Sugar Limited to work together to achieve resolution of the dispute and STL is being advised and guided by QSL and Allens in the actions to be taken. Mr Richard Farquhar, General Manager, Sugar Terminals Limited is a member of the Steering Committee handling the dispute. Sugar Terminals Limited has also taken separate advice from STL's lawyers about the conduct of the matter going forward and I am satisfied that the matter is being handled in the most appropriate manner.

The final costs of the Townsville shed form the basis for the calculation of the rental charge payable by QSL until the time for valuation reviews of all the terminals.

The Board has considered whether the AGM should be held outside Brisbane in a sugar growing area. The Board found that it would be a difficult and expensive logistical exercise as we would have to take with us the people who run the share register and our professional advisers. The timing of the AGM has been raised by a shareholder who notes that it falls within the crushing season. The timing of the AGM is to ensure compliance with the Corporations Act and to coincide with other industry meetings held in Brisbane at this time.

In closing my Chairman's address I would like to record my appreciation of the dedicated service of Mr Alfio Musumeci, who retires from the Board after 2 ½ years service.



MD Brown
Chairman
Brisbane
22 October 2004