

Information for Shareholders

There are seven bulk sugar terminals in Queensland located in the ports of Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane. These terminals, which have a capacity to store approximately two million tonnes of raw sugar, as well as the associated receival and loading facilities, have been financed by cane farmers and sugar millers.

Located within Port Authorities on leased land, there was agreement in principle by Governments in February 1993 that ownership of the bulk terminals be transferred to the industry and managed by the industry as a whole. The Report of the Sugar Industry Review Working Party, *"Sugar – Winning Globally"* (November 1996) strongly endorsed the Queensland Government's commitment to vest ownership of the terminals in the sugar industry.

On 28 April 1998 the Queensland Government endorsed the recommendations of a Bulk Sugar Terminals Task Force to transfer ownership of the terminals to the sugar industry, through the grant of long term leases to the industry.

Bulk Sugar Terminals Management Group

The Government approved the establishment of a committee of sugar industry representatives in April 1998 with responsibility for developing and implementing details of an industry-owned company structure and share entitlements. The Bulk Sugar Terminals Management Group (BSTMG) was formed, comprising the Chairmen of the three producer organisations: Australian Cane Farmers Association, Australian Sugar Milling Council and CANEGROWERS. This group consulted widely within the sugar industry.

Share Entitlements

In accordance with the Task Force recommendations, the entitlement of cane growers and sugar millers to receive a gift of shares in the industry-owned company was based on a detailed analysis of the value of each grower's and each miller's production over the nine seasons 1989 to 1997. The methodology developed by the Task Force to determine grower and miller share entitlements is recorded in the "STL Eligibility Document". Under the *Sugar Industry Act 1999*, as amended by the *Sugar Industry Amendment Act 2000*, only a person who is an "eligible person" pursuant to that document is entitled to a gift of shares in the industry company.

Generally, for growers, an "eligible person" is a person:-

- (a) who was recorded on the Sugar Cane Assignment Register ("SCAR") as at 31 December 1997 as the holder of an assignment as either the owner of the Assignment (unless he or she sold the assignment and settlement occurred prior to or on 28 April 1998) or the lessee of the assignment; or
- (b) who was not recorded on SCAR as at 31 December 1997 as the holder of an assignment but was the purchaser of an assignment pursuant to a sale where settlement occurred prior to or on 28 April 1998 (provided that the assignment holder as at 31 December 1997 was not a lessee).

The owner of each sugar mill at 31 December 1997 became eligible to receive shares.

Further information about the share entitlements of growers and millers is contained in the STL Eligibility Document. A copy of the "STL Eligibility Document" may be purchased from Sugar Terminals Limited on payment of a fee.

Sugar Terminals Limited

The industry-owned company, Sugar Terminals Limited (STL), was incorporated under Corporations Law in August 1998. STL commenced full operations as an unlisted public company on transfer of the bulk sugar terminal assets to STL on 2 August 2000.

Under the Constitution there are to be equal numbers of Directors representing grower shareholders and miller shareholders, and a minimum of five Directors. The First Directors are:

- Harold Rosario Bonanno
- Michael Douglas Brown
- John Anthony Desmarchelier
- Warren Alfred Martin
- Geoffrey Edmund Mitchell (resigned 16.10.2000)
- Peter Graham James (appointed 17.10.2000)

Mr M D Brown has been elected Chairman.

A copy of the STL Constitution may be purchased from Sugar Terminals Limited on payment of a fee.

Assets of STL

Under the *Sugar Industry Act 1999* the bulk sugar terminal assets and the existing leases for each port held by QSC were transferred to Sugar Terminals Limited on 2 August 2000.

The valuation of the Company has been established at \$388 million.

STL is undertaking negotiations with each of the Port Authorities to finalise long term lease arrangements for the land required for bulk sugar terminal operations. Generally, these leases are for rolling 100-year terms at "peppercorn rental". Some lease arrangements have already been completed.

Capital Structure of Sugar Terminals Limited

The capital structure of STL is divided into "G" Class Shares, "M" Class Shares and "F" Class Redeemable Preference Shares. The company has issued 360 million shares in STL to be held by over 7,000 individual cane growers and to 11 milling companies in the proportions of:

- 229 348 203 "G" Class Shares to growers
- 130 651 797 "M" Class Shares to mill owners

The Directors must use their best endeavours to ensure that at any time the total number of "M" Class Shares issued is not less than 56.9% and not more than 57% of the total number of "G" Class Shares issued.

Dividend Policy

The Directors of Sugar Terminals Limited anticipate a positive cash flow from operations this financial year.

The Directors of the Company are giving early consideration to a dividend policy for shareholders.

Enclosed is a form which will facilitate the recording of Direct Credit banking instructions for the payment of Dividends, Change of Address, Tax File Number details and Annual Report requests. Shareholders are requested to complete the form and return it in the "Reply Paid" envelope.

Shareholder Restrictions/Rights and Entitlements of Shareholders

Full details of the shareholding restrictions and the rights of holders of "G" class shares and "M" class shares are contained in the Constitution of STL. However, the following information is provided by way of a brief summary:-

"G" Class Share Restrictions

"G" class shares can only be issued by STL to "Active Growers". Also, holders of "G" class shares can only transfer those shares to an "Active Grower".

The Directors must refuse an application for "G" class shares or the transfer of "G" class shares if the Directors are not satisfied that the applicant or transferee is an "Active Grower".

An "Active Grower" is a Grower who:-

- (a) holds a Cane Production Area or who leases a Cane Production Area (or part thereof) and who has delivered Sugar Cane to a Mill in Queensland during the current year's Production Season;



- (b) is an Exempt Active Grower; or
- (c) establishes to the satisfaction of the Directors that he or she will be able to meet the requirements of being an Active Grower in either paragraph (a) or (b) above, within such period of time determined by the Directors from time to time and who has met those requirements before the expiration of that time period.

The purpose of paragraph (c) above is to allow the Directors to issue "G" class shares or to register a transfer of "G" class shares to persons who satisfy them that they will be able to meet the requirements of being an Active Grower within paragraph (a) or (b) within a set time prior to the person actually meeting those requirements.

In relation to paragraph (b) above, a person is an Exempt Active Grower if they ceased to be an Active Grower because of natural events (such as drought, flood, storm, hail, fire or pestilence) where there are reasonable grounds for believing the person will again become an Active Grower within a certain period of time (as determined by the Directors) **and** the Directors make a determination that the person is an Exempt Active Grower.

In order to maintain sugar industry ownership of the bulk sugar terminals there is a requirement on shareholders to dispose of their shares if they cease to be active in the industry. Specifically, a holder of "G" Class Shares who becomes an "Inactive Grower" must-

- (a) dispose of all of their "G" Class Shares as soon as practicable after becoming an Inactive Grower; and
- (b) immediately notify the Directors in writing that they have become an Inactive Grower.

An "Inactive Grower" is:-

- (a) a Grower who has not been an Active Grower for 2 consecutive Production Seasons or part thereof;
- (b) an Exempt Active Grower who fails to meet the requirements of being an Active Grower prior to the expiration of the Active Grower Exemption Period;
- (c) a Grower who has previously established to the satisfaction of the Directors that he or she will be able to meet the requirements of being an Active Grower within either paragraph (a) or (b) of the definition of "Active Grower" within a particular time period determined by the Directors but who has not met those requirements before the expiration of that time period;
- (d) an Active Grower who is a natural person and who is an undischarged bankrupt; or
- (e) an Active Grower that is a company or a body corporate in relation to which an Insolvency Event occurs or which is dissolved or otherwise ceases to exist.

Also, the Directors may issue a "Transfer Notice" requiring a person to dispose of all of their "G" Class shares within a specified time if the Directors are satisfied that they have become an Inactive Grower or where they have failed to supply information to determine whether they have become an Inactive Grower. If the person fails to dispose of their shares, the Directors may execute the necessary transfer.

"M" Class Share Restrictions

"M" Class Shares can only be issued by STL to "Active Millers".

Also, holders of "M" Class Shares can only transfer those shares to an "Active Miller".

The Directors must refuse an application for "M" Class shares or the transfer of "M" Class shares if the Directors are not satisfied that the applicant or transferee is an "Active Miller".

An "Active Miller" is a Mill Owner who:-

- (a) has received Sugar Cane from Active Growers and who has processed or crushed that Sugar Cane during the current year's Production Season;

- (b) is an Exempt Active Miller; or
- (c) establishes to the satisfaction of the Directors that he or she will be able to meet the requirements of being an Active Miller in either paragraph (a) or (b) above, within such period of time determined by the Directors from time to time and who has met those requirements before the expiration of that time period.

Again, the purpose of paragraph (c) above is to allow the Directors to issue "M" class shares or to register a transfer of "M" class shares to persons who satisfy them that they will be able to meet the requirements of being an Active Miller within paragraph (a) or (b) within a set time prior to the person actually meeting those requirements.

In relation to paragraph (b), the concept of "Exempt Active Miller" is the same as the concept of "Exempt Active Grower".

There is also a requirement on holders of "M" Class shares to be active in the sugar industry. A holder of "M" Class Shares who becomes an "Inactive Miller" must:-

- (a) dispose of all their "M" Class Shares as soon as practicable after becoming an Inactive Miller; and
- (b) immediately notify the Directors in writing that they have become an Inactive Miller.

An Inactive Miller is:-

- (a) a Mill Owner who has not been an Active Miller for 2 consecutive Production Seasons or part thereof;
- (b) an Exempt Active Miller who fails to meet the requirements of being an Active Miller prior to the expiration of the Active Miller Exemption Period;
- (c) a Miller who has previously established to the satisfaction of the Directors that he or she will be able to meet the requirements of being an Active Miller within either paragraph (a) or (b) of the definition of "Active Miller" within a particular time period determined by the Directors but who has not met those requirements before the expiration of that time period;
- (d) an active miller that is a company or a body corporate in relation to which an insolvency event occurs or which is dissolved or otherwise ceases to exist.

As with the "G" Class shares, the Directors may also issue a "Transfer Notice" requiring a person to dispose of all of their "M" Class shares within a specified time if the Directors are satisfied that they have become an Inactive Miller or where they have failed to supply information to determine whether they have become an Inactive Miller. If the person fails to dispose of their shares, the Directors may execute the necessary transfer.

Rights of "G" and "M" Class shareholders

The holders of "G" class shares and "M" class shares are entitled:

- (a) to receive notice of and attend general meetings of STL, and to vote at these meetings in a manner provided in the Constitution;
- (b) to receive notice of and to attend class meetings of Shareholders, and to vote at these meetings in a manner provided in the Constitution;
- (c) in a winding up or reduction in capital, to the repayment of capital paid up and to participate in the distribution of surplus assets;
- (d) to receive dividends as determined from time to time by the Directors of STL.

Share Registry

The STL Register of Members will be maintained by Douglas Heck & Burrell. There is no cost to the shareholder to have their name and number of shares listed on the Register.

Once you have received your statement of shareholding you may contact Douglas Heck & Burrell for all details about your shareholdings by telephoning (07) 3228 4219. Alternatively, you may prefer to write to:

Sugar Terminals Limited Share Registry
 c/- Douglas Heck and Burrell
 GPO Box 35
 BRISBANE QLD 4001
 Fax: (07) 3221 3149

Change of Address

To notify STL of change of address details, shareholders should immediately forward a signed letter quoting their shareholder number and nominating their new address, to Douglas Heck & Burrell at the address above.

Change of Name

Shareholders who change their name should notify the company share registry in writing, attaching a certified copy of a relevant marriage certificate or deed poll. Change of name information should be forwarded to Douglas Heck & Burrell at the address above.

Share Transfers

Subject to the restrictions set out above, (ie. "G" Class shares can only be transferred to "Active Growers" and "M" Class shares can only be transferred to "Active Millers") shareholders may transfer their shares through private dealings.

Executed share transfer documentation, together with a declaration from the transferee that the transferee is an Active Grower or Active Miller, should be forwarded to Douglas Heck & Burrell at the address below for processing. [Note that this may need to be amended in line with the Procedure for maintenance of shareholding qualification]

In addition, STL is establishing an "Exempt Market" for each class of STL shares. The markets will match up those people wishing to sell their STL shares with those who want to buy them. They will operate in a similar way to the Australian Stock Exchange but will be restricted to "Active Growers" and "Active Millers".

Further information about the Exempt Markets for STL will be provided in the near future.

QSL to Operate the Terminals

STL has entered into a sub-lease with Queensland Sugar Limited (QSL). Under these arrangements QSL is to manage and operate the bulk sugar terminals; and QSL will pay STL an agreed rental amount for the use of the bulk terminal assets for receipt, storage and shipping of raw sugar. The initial sub-lease is for a period of eight years, expiring in June 2008, with options for renewal.

Contact Details

Registered Office

Sugar Terminals Limited
 Level 6 Reserve Bank Building
 102 Adelaide Street
 BRISBANE QLD 4000

Postal Address

Sugar Terminals Limited
 GPO Box 945
 BRISBANE QLD 4001
 Phone: (07) 3221 7017
 Fax: (07) 3221 5593
 E-mail: sugarterminals@powerup.com.au
 Web Site: www.sugarterminals.com.au

Share Registry

Sugar Terminals Limited Share Registry
 c/- Douglas Heck & Burrell
 GPO Box 35
 BRISBANE QLD 4001
 Phone: (07) 3228 4219
 Fax: (07) 3221 3149

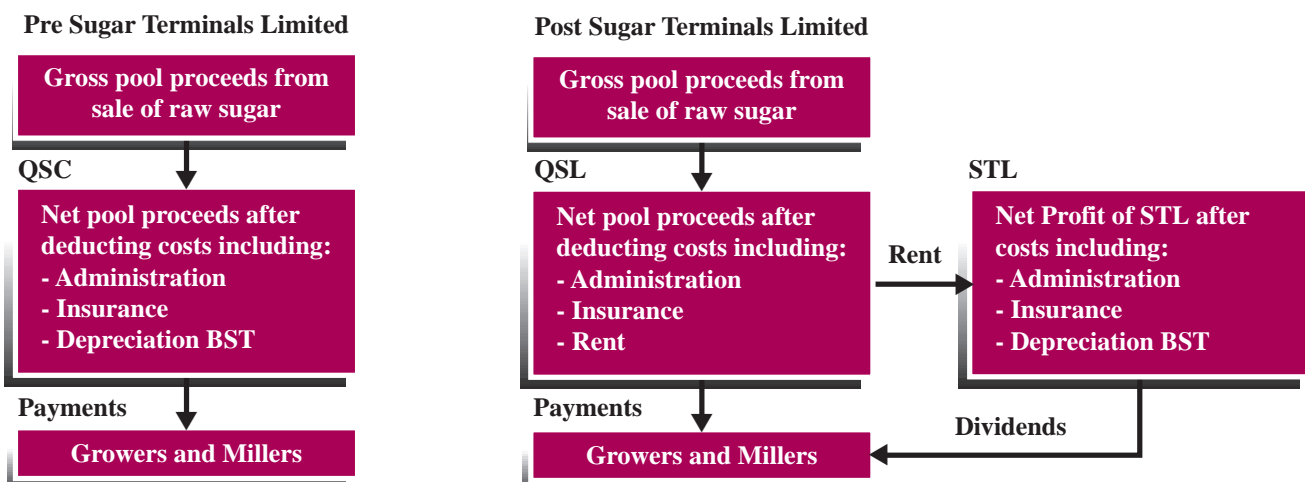
Annual Report

STL is required by law to mail its annual company report to every shareholder unless a shareholder requests otherwise. The annual company report contains full financial and auditor's reports and the directors' report. In some cases, several members of one family and/or companies associated with that family will all receive these documents at the same address. Also some members may have left the industry and no longer wish to receive STL reports.

For this, or other reasons, you may prefer not to receive the annual company report. If you do not want to receive the annual company report please complete and sign the enclosed request form and return it in the "Reply Paid" envelope.

This request may be made at any time and may be withdrawn by notice to the company verbally or in writing. You will still receive notices of meetings, proxy forms and other mailings to shareholders.

Impact of Sugar Terminals Limited on the Sugar Industry



QSC = Queensland Sugar Corporation QSL = Queensland Sugar BST = Bulk Sugar Terminals STL = Sugar Terminals Limited

