6 January 2008

The Announcements Officer
National Stock Exchange of Australia Limited
Ground Floor
384 Hunter Street
NEWCASTLE NSW 2300

Dear Sir

Sublease to Queensland Sugar Ltd

Sugar Terminals Limited (STL) announces that it has entered into a binding heads of agreement with Queensland Sugar Limited (QSL) to sublease to QSL the Bundaberg, Mackay, Townsville, Lucinda, Mourilyan and Cairns bulk sugar terminals (BSTs) commencing on 1 January 2009.

Key terms of the heads of agreement are:

- fixed annual rental of $42.0 million for 5 years commencing 1 January 2009;
- initial sublease period of 5 years with an additional period of 5 years provided both STL and QSL notify renewal of the sublease by 30 June 2013;
- mechanism for determination of rental for second 5 years agreed in principle;
- STL has right to terminate the sublease if QSL's percentage of Queensland bulk sugar exports falls below 75% and STL has termination rights in respect of individual terminals if QSL's contracted volumes represent less than 30% of a terminal's throughput in a crush season; and
- documentation of the sublease to be undertaken in good faith and completed by 31 March 2009 or such other agreed date.

The heads of agreement has been entered into after an extended period of discussions with QSL and with QSL leasing the BSTs under interim arrangements for the past 18 months.

STL has received valuation advice on the BSTs from Connell Wagner and financial advice from Gresham Advisory Partners Limited in the context of its discussions with QSL. While the agreed rental is materially below the previous arrangements between STL and QSL, it should be noted that:

- the application of accepted regulatory principles for infrastructure assets has been considered in detail by STL;

- the valuation parameters of infrastructure companies and their underlying assets have changed markedly during the period of discussions; and
- total sugar production in Queensland is exhibiting decline with implications for the revenues which can be derived from the BSTs."

Against this backdrop, the board of STL considers that the proposed sublease represents a good outcome for STL which secures a strong revenue base for the next 5 years while protecting STL's ability to enter into discussions regarding future long term arrangements for the BSTs whether collectively or individually.

STL's dividend policy is to pay from the net profit for the period, as high a dividend as possible, having regard to the company's cash position. In this regard, STL anticipates that the sublease should support the payment of annual dividends of around 5.5 cents per share fully franked over the period of the sublease. STL retains a very strong balance sheet with a positive net cash balance and the potential for further capital management initiatives, including as a result of the sale of the Brisbane terminal.

Commenting on the heads of agreement, STL Chairman, Mr Michael Brown, said:

> "The STL Board has been through a rigorous process in considering the appropriate arrangements for the terminals and in negotiating an appropriate capital charge with QSL.
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> "During the period of our discussions, which has coincided with substantial economic uncertainty, QSL has been restructured and has entered into voluntary marketing arrangements with 6 out of 8 milling groups in Queensland.
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> "The STL Board considers that entering into a sublease arrangement with QSL, which has experience operating and maintaining the terminals, is the best outcome for shareholders in the near term. However, we have built important protections into the heads of agreement and look forward to continuing to secure for all STL stakeholders the best possible arrangements for the terminals into the future."

Yours faithfully

R B Farquhar
Company Secretary