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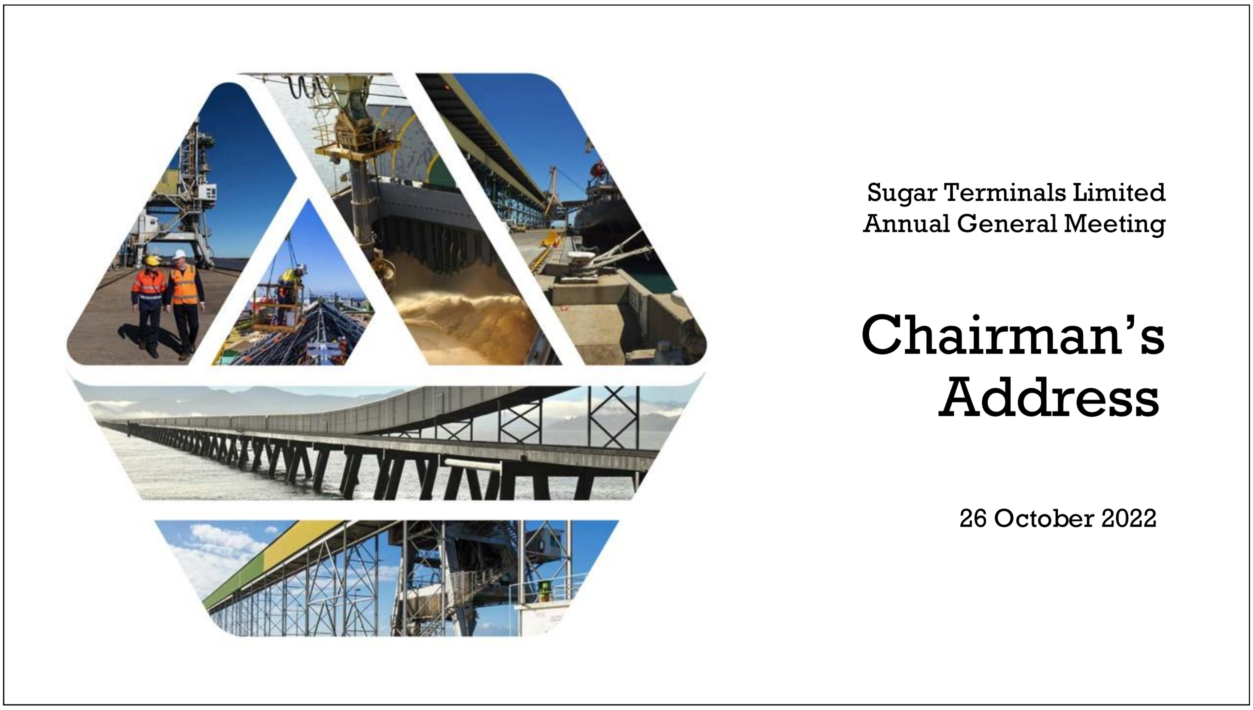
NSX Announcement

Chairman's Address - 2022 Annual General Meeting

26 October 2022



Good afternoon Ladies and Gentlemen,

Today's Annual General Meeting is my sixth as the independent Chair of Sugar Terminals Limited.

I plan to talk briefly about a few high-level strategic issues, whilst our CEO, David Quinn, will fill in some more detail at the operational level in his Address.

When I took on this role in March 2017, there were significant challenges ahead.

Back then, the industry was adjusting to a changing landscape arising from grower choice and the emergence of multiple marketers operating in a new competitive marketing environment.

In response to these changes in industry structure, STL needed to adopt a new business model, with two key elements:

1. A new Storage and Handling Agreement with 6 customers; and
2. A new Operating Agreement, with an outsourced operator, QSL, who is also a customer under the Storage and Handling Agreement.

The impact of these changes for STL and industry has been profound and ongoing.

We now have a very different industry dynamic with aggressive competition between marketers to attract growers from each other and gain a business advantage.

This has meant changed roles, as well as new allegiances and loyalties.

Old paradigms from the days of single desk marketing have changed, and this has involved some tensions and teething problems.

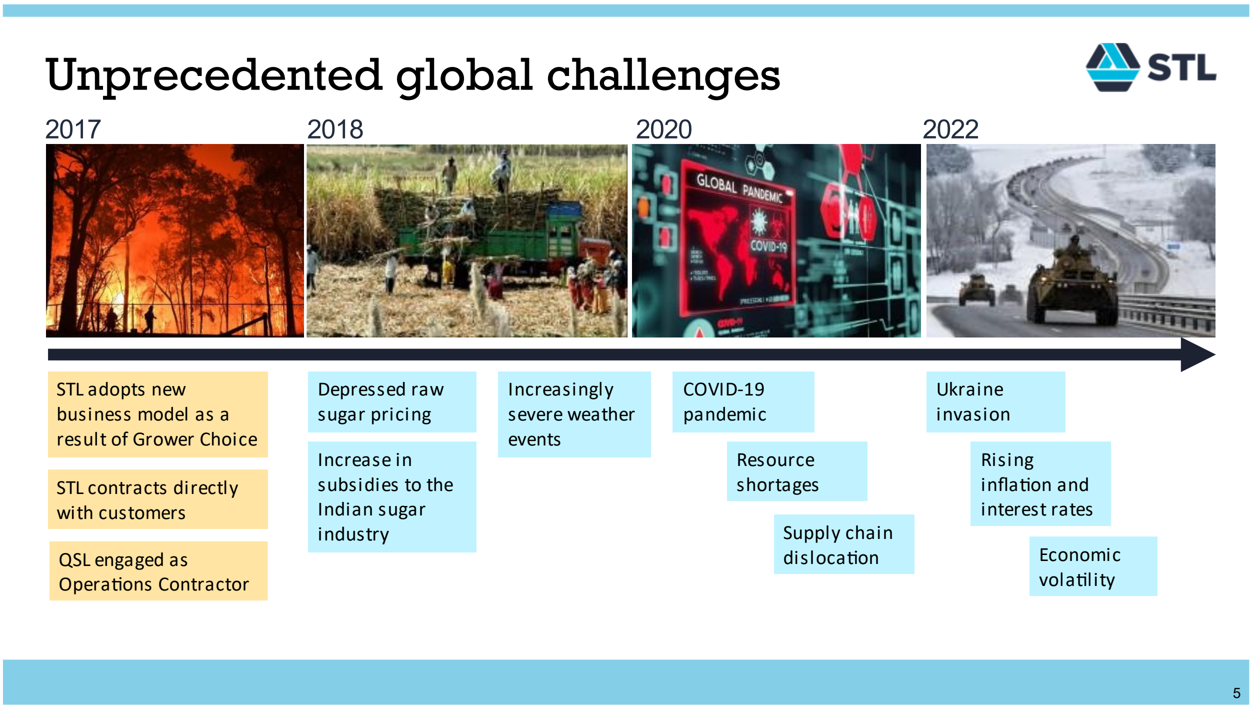
These impacts have been manifested most recently in the negotiations on a new Storage and Handling Agreement.

Some of the most contentious issues have involved marketers trying to gain an advantage over each other for the benefit of their growers – not necessarily for the benefit of industry as a whole.

Today, five years on, these changes have largely been bedded down, but challenges remain.

Beyond these industry changes, we've seen the emergence of global challenges on an unprecedented scale.

<u>Unprecedented global challenges</u>



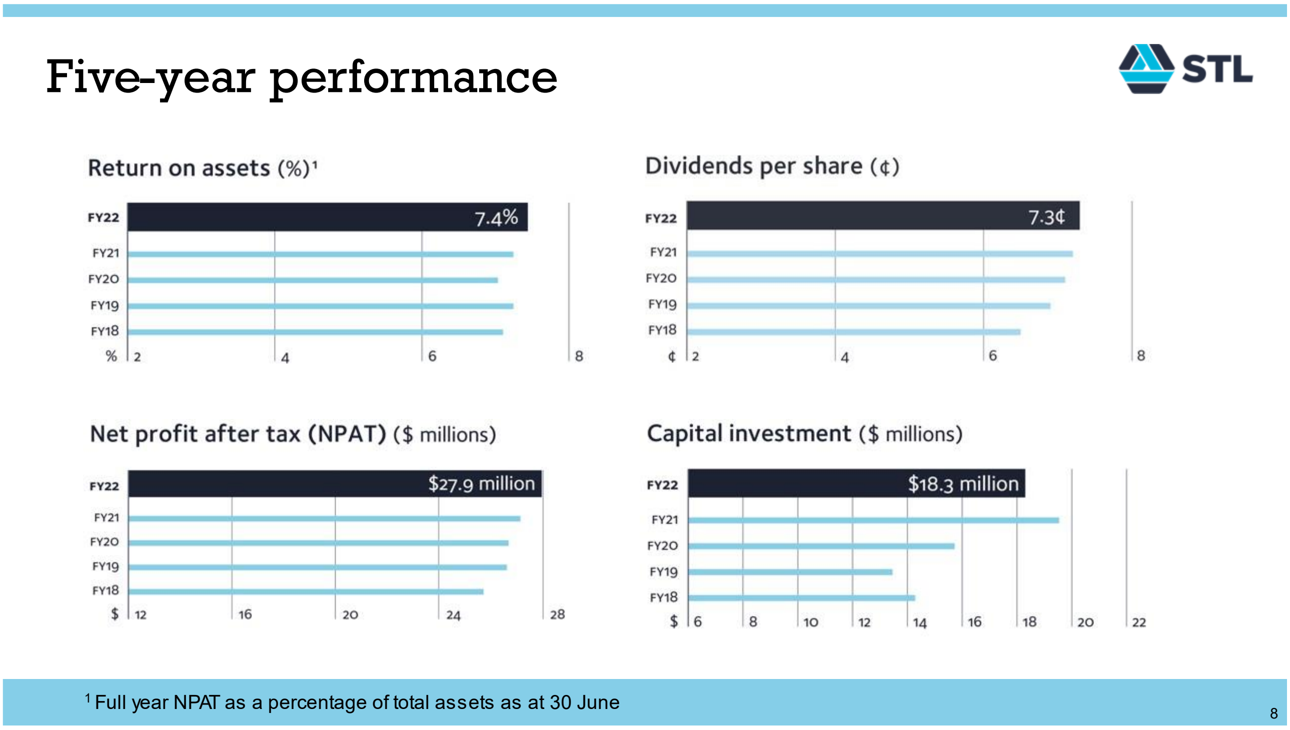
In the last five years, we've seen:

- industry pressures increase with subsidised raw sugar production in India
- extreme weather events become more frequent and severe
- most industries in the world brought to a standstill for extended periods due to the global pandemic
- escalating geo-political tensions, highlighted by the war in the Ukraine
- supply chain dislocation and resource shortages
- rising inflation, rising interest rates and increasing economic volatility, with the very real threat of a global recession over the next 1-2 years.

When you add domestic challenges, such as an ageing workforce, ageing assets and the attraction of potentially more lucrative crops, the last five years have challenged even the most resolute sugar industry champions.

Despite all of the challenges, the team at STL has focussed on getting on with the job of providing quality services to the sugar industry and delivering sound returns for our shareholders.

<u>Five-year performance</u>



As a business, we've focused on adding long-term value by maintaining careful stewardship of the industry's assets and proactively managing risks.

In summary, the score card for the last five years is as follows:

- **Share price:** more than a 20% improvement
- **Returns:** 12.5% per annum average returns to shareholders (including capital growth)
- **Net profit margin:** average of 27.3% over five years

- **Project management:** on time, on budget completion of reroofing program
- **Resilience:** no disruptions to receival or outloading due to COVID-19
- **Board and management:** increased capability and strategic focus
- **Stakeholder engagement:** increased collaboration and transparency, through more regular regional visits and meetings.

Overall, we've made solid progress towards the Purpose we adopted back in 2019:

> *To be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities*.

FY22 performance

Turning specifically to FY22 performance, it was another steady year for STL, with moderate profit growth of 2.7% to $27.9M.

This result is a continuation of STL's careful, consistent and reliable management of the business.

For investors, our return on assets was 7.4% - in line with the steady return in each of the last 5 years.

Importantly, our pricing structure and returns are well within benchmark parameters for a business such as ours.

As part of our strategic planning, we have re-affirmed our commitment to remaining well within those parameters and keeping returns stable and predictable.

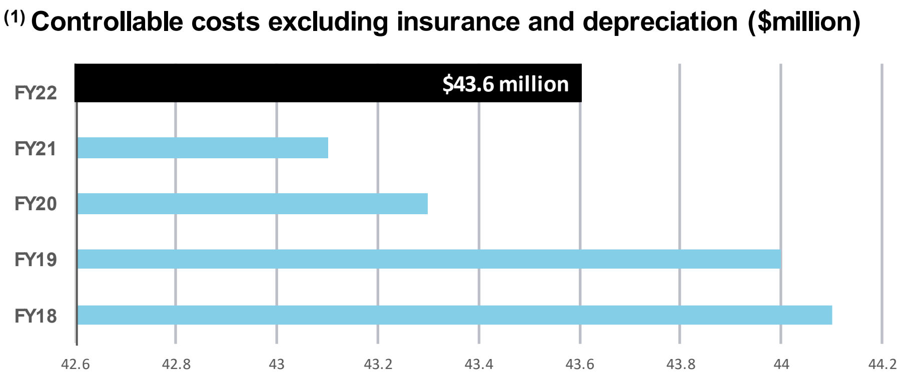
STL

Keeping costs competitive

Keeping costs competitive

STL

STL's controllable costs[1] are lower in FY22 than five years ago



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Fundamental to our pricing strategy is keeping costs competitive.

It was no surprise that operating costs were a big focus of negotiations on the new Storage and Handling Agreement.

As a result, STL has agreed to some additional provisions which will enhance transparency and accountability to our customers as to the level of operating costs.

In this context, it is important to note that STL has applied relentless pressure on our Operations Contractor, QSL, to ensure costs are competitive, by driving ongoing efficiency and productivity improvements.

Setting aside depreciation and insurance, where all industries have been subject to significant increases in premiums, STL's controllable operating costs were lower in FY22 than in FY18, the first year of our new business model.

After allowing for inflation, this is a significant decline in costs in real terms.

Our focus on productivity improvements has led to some tensions in the relationship with QSL Operations.

We make no apologies for that.

This is a healthy tension, as it drives better outcomes for customers, including notably QSL itself, who in fact is our largest customer and marketer.

Indeed, we reaffirm our ongoing commitment to the pursuit of continuous improvement in our BST operations.

We need to constantly find ways to lift operational performance, drive efficiency and achieve best practice commercial outcomes to enhance industry competitiveness in international markets that are ever changing and ever challenging.

There is no room for complacency.

There is always room for improvement – by continuously striving to lift the bar on performance.

Anything less is simply not good enough.

The Operations Agreement signed in 2017 as part of the new business model has now been in place for 5 years.

In accordance with provisions of that Agreement, STL has initiated a review with QSL to ensure that we deliver the best outcomes for industry.

Completion of the roof replacement program

Townsville reroofing video

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A major achievement for the year was the completion of our 10-year, $100 million reroofing program, which will increase the life of 12 sheds by more than 40 years.

The program was completed on time and on budget.

This is an impressive achievement in ordinary circumstances, especially given the size and scale of the infrastructure involved

In the context of the global pandemic, followed by supply chain dislocations, it is all the more noteworthy.

Completion of this project frees up future cash flows for other capital renewal works across the business.

Looking to the future

I’d now like to briefly focus on some developments which are essential building blocks for our future strategic plans.

In the last 12 months, STL commissioned and oversighted the first company-wide, comprehensive review of the condition of our assets.

This rigorous review involved a deep dive into the state of all assets, right across our portfolio, from Receiving Stations to Shiploaders, and everything in between.

This is a task that has never previously been undertaken and documented on a comprehensive and methodical basis.

It will now be regularly updated.

Indeed, it’s currently being updated as we speak.

Most importantly, it will guide our priorities for our future capital investment plans over the next 10-15 years and beyond.

As custodians of industry assets on your behalf, it is our responsibility to invest in upgrading, renewing and replacing these assets so that they serve this industry long after we've gone.

We aim to leave these assets in a better condition than when we joined the business.

Currently, we invest around $18M per annum on capital works, and we expect to continue around that level.

It is therefore essential that this capital is invested wisely and efficiently.

<u>Income diversification</u>

The Bundaberg Common User Infrastructure Project is central to our strategy of income diversification, especially in areas where sugar production is under pressure.

Over the last 12 months, we've worked hard to secure additional government funding to bring this project to fruition.

We were successful in increasing the Federal Government's funding commitment from $10 million to $17.7 million.

In addition, Gladstone Ports Corporation has provided around $10 million in enabling infrastructure.

This means that we're able to deliver new infrastructure of circa $30 million, with a modest contribution of about $3 million from STL.

This is a great investment in anyone's books, and will enable us to deliver benefits back to the sugar industry without in any way compromising our service to you.

David will provide you with more details about this exciting project in his Address.

Team

All of the achievements I've discussed today – both for the last 5 years and the last 12 months – would not have been possible without a sterling team effort.

My fellow Directors and I are very grateful for the tireless efforts of our small STL team led so capably by our CEO, David Quinn.

His team has delivered so much for our shareholders, our customers and the industry as a whole.

It's unusual to have more people on the Board than in the Management team, so it's essential to have strong, trusted and open relationships.

I'm pleased to say that is indeed the case.

Beyond our team, I would like to acknowledge the ongoing efforts of our contractors at our terminals and within specific project teams.

A continued team effort is absolutely crucial to achieving STL's Purpose and addressing the future challenges we face.

In closing, I'd like to thank you all for your ongoing loyalty and support of STL.

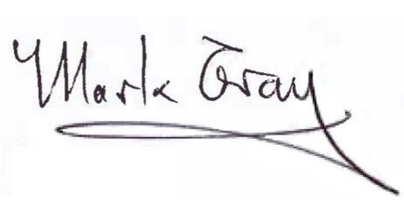
Over the last two months, with COVID restrictions out of the way, I've personally visited most cane growing regions in Queensland and have appreciated the opportunity to speak with many growers and millers.

I've heard first-hand of the immediate difficulties being encountered with this year's harvest, and hope that the weather holds firm for a successful completion.

A recording of this AGM presentation will be uploaded to the STL website in coming days.

Please share it among your networks, especially fellow shareholders who may not have been able to attend today's meeting with harvesting being your top priority.

That concludes my formal address.



Mark Gray
Chairman | Brisbane | 26 October 2022

CEO’s Address - 2022 Annual General Meeting

26 October 2022

Thank you Mark and good afternoon to those Shareholders both in the room today and online.

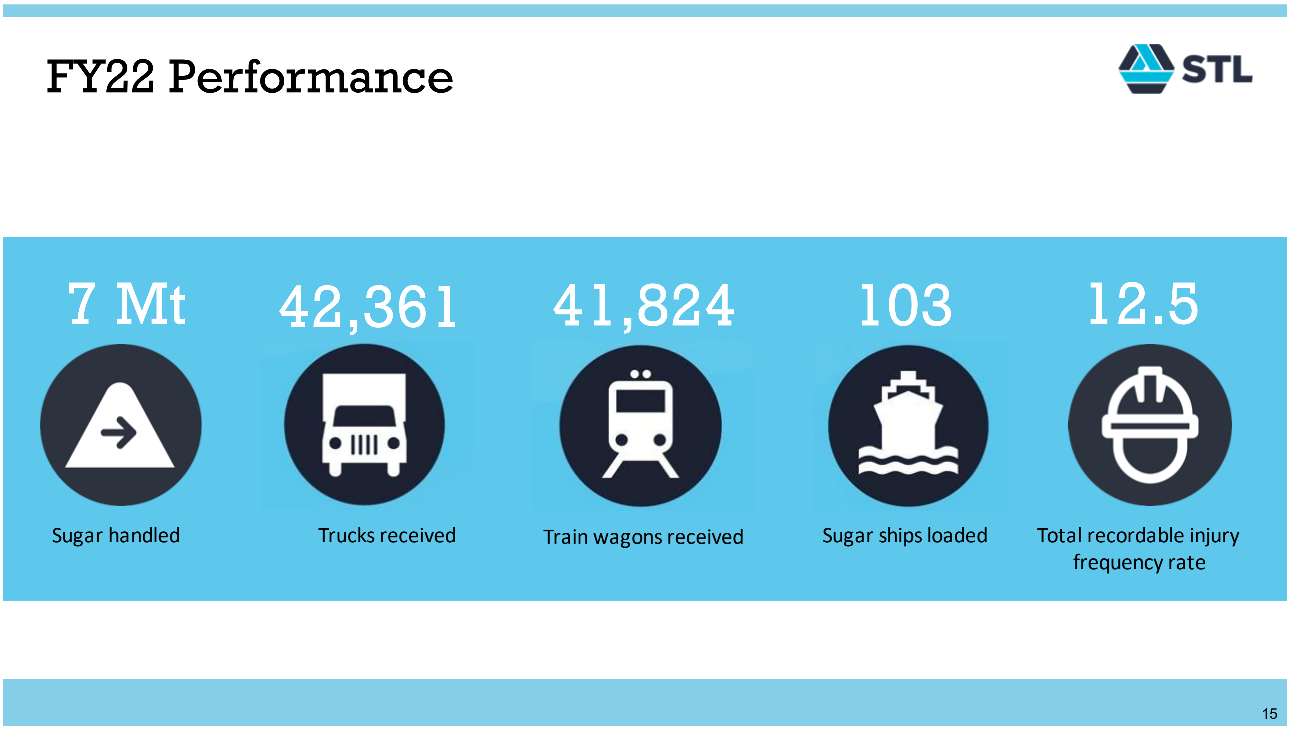
As we conduct today’s Annual General Meeting I am naturally buoyed by the global market conditions which the industry continues to experience. At the same time, I recognise that we are still very much in the middle of the current crushing season and that many challenges remain.

As such, my focus and that of the STL Team that I lead is to ensure we continue to build a resilient and sustainable business that will deliver outcomes for our shareholders and the broader industry for decades to come.

The safety of the people who operate or utilise our terminals and the reliability of our assets to ensure we fully meet the expectations of the Sugar Industry, our customers and most importantly our Shareholders continue to drive the decisions we make.

We have continued to invest judiciously in these industry assets whilst at the same time exploring opportunities to diversify our operations without compromising our service offering to the sugar industry.

FY22 performance



With another financial year having concluded on 30 June lets quickly reflect on some of the key operational metrics.

As is detailed on the slide displayed onscreen, the past financial year has seen:

- over 7 million tonnes of sugar handled

- a peak of 1.7 million tonnes of sugar stored at terminals which at only 70% of our available capacity is reflective of ongoing strong demand. We expect very similar outcomes in the current financial year.
- more than 42,000 truck movements
- more than 41,000 rail wagons unloaded
- 103 sugar ships loaded

Whilst the availability and reliability of the assets has remained high, an area of concern is the safety performance which ended the year at a frequency rate of 12.5 versus a target of 5 at the end of the year.

This reflects 5 employees or contractors who arrived at work fully fit and left at the end of their shift with a restriction or injury of some kind. Whilst admittedly some of these injuries were relatively minor, we will continue to work actively and constructively with our Operations Contractor, QSL Operations to improve upon this performance.

In a similar vein, STL continues to engage with our Operations Contractor to identify way to further improve operational performance. Whilst we acknowledges that at times this can create some tension, this feedback is given constructively and is based on our own experience and knowledge.

The need to continually 'lift the bar' with operational performance is designed to benefit all parties, most importantly our customers and shareholders.

As the Chairman mentioned during his address, there are a number of items which I will specifically address that were either key strategic deliverables in the last financial year or will be areas of focus in the year ahead.

New storage and handling agreement

Let me start with the Storage and Handling Agreement.

Since 2017, STL has had responsibility for contracting directly with six raw sugar marketers through a single Storage and Handling Agreement.

This agreement is a crucial commercial instrument, as it governs relationships not just between STL and its customers, but between customers who are commercial rivals.

Importantly, all customers are treated equitably under the one agreement.

Following a comprehensive process of negotiation with each of our customers, a new agreement came into effect on 1 July 2022.

To date, the Agreement has been signed by five of our six customers and whilst QSL has not yet signed the Agreement, it is utilising all STL services available under the Agreement.

Key changes which benefit customers in the new Agreement include but are not limited to:

- 3-year term
- increased liability limits
- ability to claim demurrage and port charges against liability limits
- adjusted domestic storage allocations
- indexing of the excess capital charge

We have now been operating under these new arrangements for almost 4 months and our focus remains on ensuring that we fully meet our obligations to all of our customers and providing the Industry with certainty.

I am confident we are doing precisely that.

New infrastructure under construction

New infrastructure under construction

Whilst sugar will always remain the primary product that we will handle, the STL Board and executive recognises the need to look at ways to further diversify our income stream. This will enable us to better utilise our assets and generate an acceptable return to our shareholders without compromising our service offering to the Sugar Industry.

The Chair has already outlined the funding for this important project and the fact that it has been designed to handle a wide range of both bulk mineral and bulk agricultural commodities.

As such I will limit my commentary primarily to the status of construction and also potential customers.

We took this project to market in a very challenging construction environment in late 2021 with the intention of identifying both a Civil Contractor and also a Construction Contractor who would be able to successfully undertake the construction of the new conveyors, modify the shiploader and successfully commission the Project.

Contracts were signed in mid-June 2022 and the civil works are now nearing completion.

Where possible we wanted to utilise local suppliers to support local industries and employment in the Region and we have successfully achieved this through engaging companies like:

- Loftus Civil, who are Gladstone based and who are delivering all of the civil works onsite
- BME Engineering who are Bundaberg based and who are fabricating all the conveyor structures and associated steelwork

We have also engaged Clough Engineering through its wholly owned subsidiary, e2o, who have significant construction experience throughout Australia and extending out into the South Pacific Region.

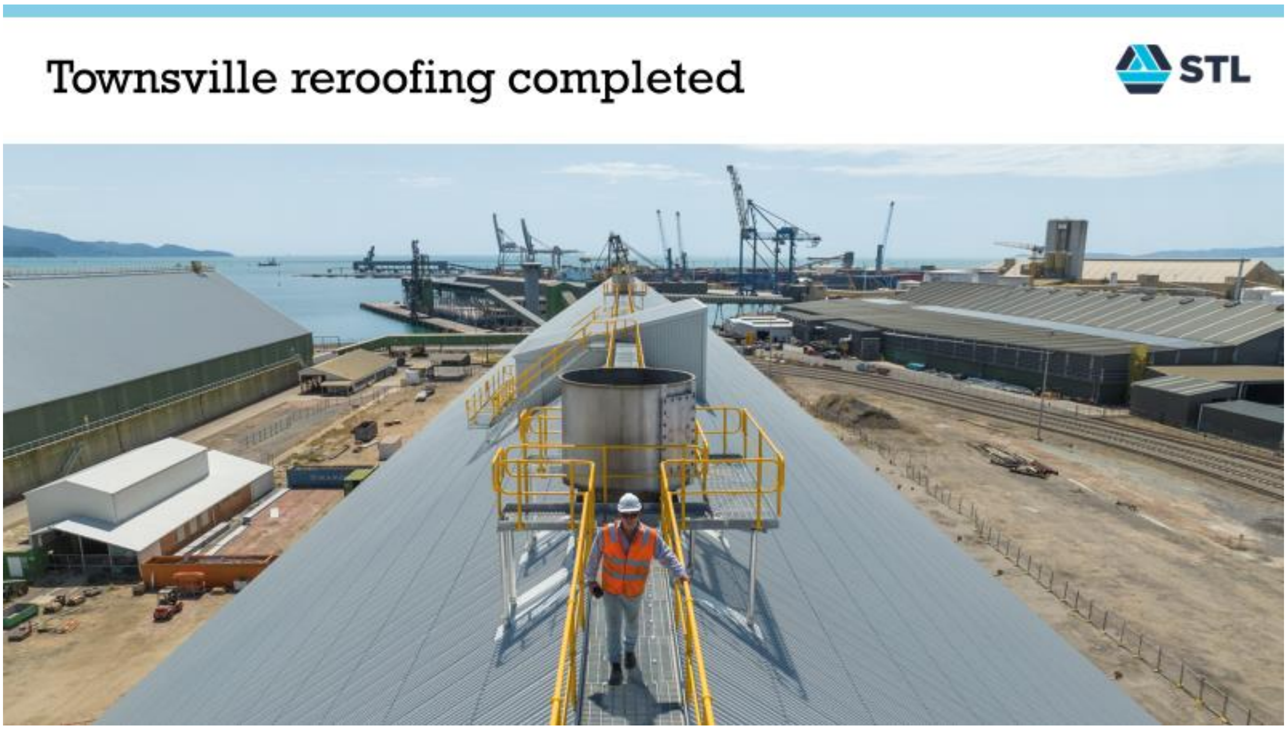
Civil construction is proceeding well with the Loftus due to demobilise by early December and for e2o to mobilise to site in early January 2023.

We are working with our 2 customers who ship from Bundaberg namely QSL and MSF to find ways to minimise the impacts on their shipping program. This has been reflected in the multiple date changes and also reducing the duration of the shiploader outage in response to customer needs. We continue to actively engage with both customers with a further round of meetings having recently been held and further ones planned.

At this point in time, we are scheduling construction to be complete and commissioning to occur in Quarter 4 of this Financial Year.

In terms of potential customers, we are speaking to multiple parties who are expressing an interest in using this facility and I would hope to be able to talk with you at next year's AGM on the CUI's safe and successful commissioning and operation.

Townsville reroofing



As the Chairman has already outlined, we have, after almost a decade of activity, successfully re-roofed the 12th and final shed across the various Bulk Sugar Terminals.

This is a milestone for STL and despite the very challenging conditions, we have managed to deliver it on time and on budget and that is a credit too all involved.

As you would have seen from some of the earlier video footage, it's a challenging work environment, and I personally have no interest standing on those roofs hanging by a rope!

To give you some perspective, the amount of roof sheeting that was removed and replaced across these 12 sheds totalled 196,447m2, which for those of you who are familiar, would be the equivalent of putting a roof over the new Townsville Football Stadium 30 times.

More importantly these roofs will extend the life of these sheds for 40+ years so this is a clear demonstration of STL's commitment to maintaining the longevity of these world class assets and ensuring they remain 'fit for purpose' for many years to come.

<u>FY23 strategic priorities</u>

Whilst it is always interesting to reflect back on the year that has passed, it's exciting to consider the challenges into the future.

Outside of the Bundaberg CUI Project, just a few examples of key focus areas for the remainder of this financial year will include:

- planning and the commencement of procurement for the 12 km Lucinda Conveyor Belt Replacement which has to date and will continue to involve significant consultation with impacted customers to minimise the outage wherever possible

- working with the Navy's Contractor on the redevelopment of HMAS Cairns and how this interfaces with our Cairns Terminal

- continuing to engage with Ports North over their Masterplan and strongly advocating the importance of the Cairns Terminal for the Raw Sugar Industry in the Far Northern Region

- ongoing consideration of viable opportunities to diversify at other Bulk Sugar Terminals.

In conclusion, can I take this opportunity to thank the numerous shareholders, customers, growers, industry associations, port authorities, media and many other interested parties who have given me an opportunity to meet and speak with them over the past 12 months.

With the progressive lifting of Covid restrictions I have sought to actively get out and engage at a wide variety of forums sometimes by myself and other times accompanied by STL Directors or members of my Management Team. I very much value these 'face to face' opportunities and appreciate the chance to listen to alternate viewpoints, to explain the role of STL or to be educated in the complexities of the industry which we serve.

I am looking forward to continuing these engagements in the current financial year.

Can I thank the members of the small STL Team who have provided me with very dedicated support over the past 12 months and have made an invaluable contribution to the performance and standing of STL.

I have also appreciated very much the considerable time invested by all STL Directors led by our Chairman Mark Gray. Their individual and collective advice and insights have been critically important in guiding STL over what has been a very demanding but rewarding FY22.

Finally, can I thank Nikarla and Kelly from the STL team along with Gabee Reyes who have been instrumental in organising today's meeting. Also to Andrew Hay and the team at Clayton Utz who have provided their valuable support throughout the year, our Auditors PwC, who have supplied exceptional service to STL for many years and finally to Link, who manage our Shareholder Register.

As always can I encourage you to please contact me directly if you have any suggestions or feedback on how we can improve either today or at any time into the future.

Can I conclude by again acknowledging that we recognise that there is much still to be done to see this year's crush successfully completed. Whilst the weather outlook remains uncertain, you can be assured that STL will be responsive to any challenges that we may collectively face.

David Quinn
CEO | Brisbane | 26 October 2022