

QSL EARLY-START ACTIVELY MANAGED POOL PRICING POOL TERMS (2019 SEASON)

1 OVERVIEW

Where QSL markets Raw Sugar, the price it returns to the Participants which supplied that Raw Sugar is calculated in accordance with pooling arrangements, involving the sharing among Participants of costs incurred and revenues received by QSL.

The Net IPS Price to be paid by QSL to OSA Participants and RSSA Participants for Raw Sugar allocated to a QSL Pricing Pool will consist of two elements:

- (a) the Gross Price Element (being an AUD price per Tonne IPS for an individual QSL Pricing Pool determined in accordance with the Pricing Pool Terms for that QSL Pricing Pool); and
- (b) the Shared Pool Element (being an AUD allocation of net costs or revenues per Tonne IPS applied to each Tonne IPS).

The Gross Price Element for a Participant for this QSL Early-Start Actively Managed Pool for the 2019 Season will be determined in accordance with these QSL Early-Start Actively Managed Pool Pricing Pool Terms.

The total payment due to a Participant in respect of a QSL Pricing Pool is the Participant's Tonnes IPS Raw Sugar allocated to the QSL Pricing Pool multiplied by the Participant's Net IPS Price for the QSL Pricing Pool.

The Tonnes IPS in a QSL Pricing Pool is the sum of, for each Participant in that QSL Pricing Pool, the Tonnes Actual allocated to the QSL Pricing Pool multiplied by the Participant's IPS Conversion Factor.

Consequently, to understand the way in which the price received for Raw Sugar delivered to QSL and allocated to the QSL Early-Start Actively Managed Pool is calculated, it is important to read each of these QSL Early-Start Actively Managed Pool Pricing Pool Terms, the QSL Common Pool Terms and the QSL Shared Pool Terms.

2 QSL EARLY-START ACTIVELY MANAGED POOL

This QSL Early-Start Actively Managed Pool is intended to generate pool returns higher than would be produced by a passive management approach, by QSL pricing the Raw Sugar allocated to the pool in a more active manner designed to exploit favourable pricing opportunities.

Nominations to allocate Raw Sugar to the QSL Early-Start Actively Managed Pool for the 2019 Season can be made by Participants commencing on 1 October 2018 up until 30 November 2018.

The key features of the QSL Early-Start Actively Managed Pool are:

- (a) QSL Marketed Pool – QSL is responsible for marketing the Raw Sugar allocated to the QSL Early-Start Actively Managed Pool.
- (b) Committed Pool – such that:
 - (i) financial consequences relating to the unwinding of pricing positions or cancellation of sales will be passed on to a Participant for any failure to deliver Raw Sugar allocated to this QSL Early-Start Actively Managed Pool (see the QSL Common Pool Terms for further details);
 - (ii) the Commitment Limit, which limits the total amount of Raw Sugar a Participant can allocate to Committed Pools, may limit the allocation able to be made to this QSL Early-Start Actively Managed Pool (see the QSL Common Pool Terms for further details);
- (c) A Pricing Platform Pool – such that the provisions of the QSL Common Pool Terms applicable to Pricing Platform Pools apply to allocations and pricing of Raw Sugar in this QSL Early-Start Actively Managed Pool;
- (d) An ICE 11 Pool – such that the Gross Price Element is determined by reference to USD revenue derived through selling ICE 11 futures contracts; and
- (e) QSL as Risk Manager – such that QSL is the entity responsible for pricing the ICE 11 price component of the Gross Price and the AUD/USD exposure represented by that ICE 11 price component for all tonnage committed to this QSL Early-Start Actively Managed Pool;
- (f) Minimum tonnage – The minimum tonnage of Raw Sugar that can be nominated to this QSL Early-Start Actively Managed Pool is 10 metric tonnes. Participants must specify the Raw Sugar allocated to this QSL Early-Start Actively Managed Pool in whole multiples of 10 metric tonnes; and

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(g) Minimum aggregate tonnage – This QSL Early-Start Actively Managed Pool may be cancelled at QSL's discretion if the total tonnage allocated to this QSL Early-Start Actively Managed Pool for the 2019 Season does not reach 30,000 Tonnes Actual by the date for cessation of nominations. If this QSL Early-Start Actively Managed Pool is cancelled, Participants will be given the choice (at the election of the relevant Grower(s) for an OSA Participant) to allocate the tonnage into an alternative Committed Pool or the QSL Harvest Pool by the Pricing Declaration Date. If the Participant does not make an election, the tonnage will be allocated to the QSL Harvest Pool.

3 COMPARISON OF RISK PROFILE TO PASSIVE MANAGEMENT BENCHMARK

Please refer to the Grower Handbook for QSL's assessment of how the risk of the pricing strategy of this QSL Early-Start Actively Managed Pool compares to the Passive Management Benchmark (which assumes pricing is undertaken in a routine manner by following an evenly spread sales pattern, adjusted for applicable constraints such as infrastructure, storage and the time available to price).

4 GROSS PRICE ELEMENT

The Gross Price Element in this QSL Early-Start Actively Managed Pool is determined based on the pricing conducted by ICE 11 Contracts executed on the ICE or in the OTC swap market (see clause 5 below).

This USD revenue stream derived from the ICE 11 or swap contracts will be converted to AUD under the pricing policy applied by QSL.

5 QSL EARLY-START ACTIVELY MANAGED POOL PRICING

QSL's pricing for Raw Sugar allocated to this QSL Early-Start Actively Managed Pool will occur within +/- 30% discretion limits calculated by reference to the neutral profile produced by pricing evenly over the period from 1 December 2018 until the May 2020 ICE futures cease to be available.

The discretion limits are intended to allow QSL to make pricing decisions that align with anticipated more favourable market conditions (i.e. delaying pricing relative to the neutral profile if prices are anticipated to improve later in the period or vice versa).

This QSL Early-Start Actively Managed Pool will be priced in a 1:2:2:1 ratio as follows:

ICE 11 Contract	July 2019	October 2019	March 2020	May 2020
Ratio	1	2	2	1

The discretionary limits for this pool provide for a reversal strategy allowing QSL to unwind pricing (buying back) already undertaken with a view to re-pricing sugar at a later date for profit. This element of active trading aims to enhance the final price achieved, but also entails extra risk.

QSL, at its sole discretion, may combine orders with pricing QSL is undertaking in other Pricing Pools it is the Risk Manager for in order to make a parcel that can be marketed across ICE 11 Contract futures positions in the usual 1:2:2:1 ratio.

6 QSL COMMON POOL TERMS

The QSL Common Pool Terms are a set of terms that apply to all QSL Pricing Pool Terms.

They form part of the terms of participating in this QSL Early-Start Actively Managed Pool as if they were set out in full in these QSL Early-Start Actively Managed Pool Pricing Pool Terms.

7 GLOSSARY

Capitalised terms used in these QSL Early-Start Actively Managed Pool Pricing Pool Terms have the meaning set out in the QSL Pool Terms Glossary.

8 WHO TO CONTACT?

If you have any queries in relation to these QSL Early-Start Actively Managed Pool Pricing Pool Terms, please do not hesitate to contact the QSL Finance Team by emailing info@qsl.com.au or calling (07) 3004 4400.

Disclaimer: As described in this Pricing Pool Terms document (the **Terms**), you should not make a decision based on these Terms unless you have read and understood the other Pricing Pool Term documents referred to in the Terms. These Terms do not constitute financial, investment or product advice, a risk management strategy, or a recommendation to allocate Raw Sugar to any Pricing Pool described in the Terms. You should therefore seek your own financial advice before making any decisions in relation to the Pricing Pools.

FURTHER INFORMATION

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