

QSL US QUOTA POOL PRICING POOL TERMS (2019 SEASON)

1 OVERVIEW

Where QSL markets Raw Sugar, the price it returns to the Participants which that Raw Sugar is attributable to 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 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 the US Quota Pool for the 2019 Season will be determined in accordance with these US Quota 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 US Quota Pool is calculated, it is important to read each of these US Quota Pricing Pool Terms, the Common Pool Terms and the Shared Pool Terms.

2 US QUOTA POOL

Australia has a Raw Sugar import quota to the United States of America, which is allocated by way of Queensland mill owners receiving CQEs from the Australian government.

Where:

- (a) a Grower which is not a Participant allocates GEI Sugar to QSL's US Quota Pool under their arrangements with an OSA Participant (or affiliated mill owner), the relevant mill owner will transfer CQEs to QSL in accordance with the applicable OSA to enable QSL to market that volume of Raw Sugar;
- (b) A Grower which is a Participant allocates GEI Sugar to QSL's US Quota Pool under their OSA Agreement, the relevant Delivery Participant (or affiliated mill owner) will transfer CQEs to QSL in accordance with the applicable OSA to enable QSL to market that volume of Raw Sugar;
- (c) A Participant that is a RSSA Participant allocates Raw Sugar to QSL's US Quota Pool, the RSSA Participant will transfer CQEs to enable QSL to market that volume of Raw Sugar.

The key features of the US Quota Pool are:

- (a) 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 by the Participant (or where the Participant is a Grower, the relevant Delivery Participant) to deliver Raw Sugar allocated to the US Quota Pool (see the Common Pool Terms for further details); and
 - (ii) the Commitment Limit, which limits the total amount of Raw Sugar a Participant can allocate to Committed Pools, may limit the allocation to the US Quota Pool (see the Common Pool Terms for further details);
- (b) Non-ICE 11 Pool – The Gross Price Element is determined by reference to USD revenue derived through a combination of selling ICE 16 futures contracts and direct negotiation with United States export customers (see Gross Price Element below); and
- (c) Highest priority in the event of a Committed Sugar Shortfall (see the Common Pool Terms for further details).

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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 the US Quota 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 TONNAGE ALLOCATION TO US QUOTA POOL

4.1 ELECTIONS FOR RSSA PARTICIPANTS REGARDING SUPPLIER EI COMPONENT OF US TONNAGE

(a) In accordance with their RSSA, on or before the Marketing Declaration Date for a Season, each RSSA Participant must elect whether the Supplier EI Component of US Quota Tonnage (calculated in accordance with clause 4.3 below) will be marketed by:

- (i) the RSSA Participant, and therefore be allocated to the Supplier EI Pool; or
- (ii) QSL, and therefore allocated to the US Quota Pool.

Any failure to make such an election by the Marketing Declaration Date will result in the RSSA Participant's Supplier EI Component of US Quota Tonnage being allocated to the US Quota Pool.

(b) If the RSSA Participant:

- (i) elects to market the Supplier EI Component of US Quota Tonnage, the RSSA Participant must after the Pricing Declaration Date notify the Australian government of the QSL Proportion of CQE Tonnes; or
- (ii) elects not to market the Supplier EI Component of US Quota Tonnage (or fails to make any election), the RSSA Participant must after the Pricing Declaration Date notify the Australian government that QSL will market all of the Supplier's US Quota Tonnage (so the QSL Proportion of CQE Tonnes is effectively 100%).

From the Pricing Declaration Date onwards the QSL Proportion of CQE Tonnes will be fixed.

Accordingly, the QSL Proportion of CQE Tonnes will remain the same irrespective of whether there are any changes in the volume of Raw Sugar allocated to the Supplier EI Pool or the volume of CQEs received by the RSSA Participant from the Australian government. If, for example, additional CQEs are allocated to the RSSA Participant, a proportion of those CQEs reflecting the QSL Proportion of CQE Tonnes will be able to be utilised for the US Quota Pool (with any remaining CQEs being able to be utilised by the RSSA Participant for the Supplier EI Pool).

4.2 TONNAGE ALLOCATION TO US QUOTA POOL

The total tonnage of Raw Sugar in Tonnes Actual allocated to the US Quota Pool will be sales made by QSL during the Season under Australia's Raw Sugar import quota to the United States of America.

Each Participant's allocation to the US Quota Pool (being a QSL Marketed Pool) in Tonnes Actual will be calculated as follows:

$$PUSQT = \frac{QSLP \times PCQE \times TUSQT}{TCQE}$$

where:

PUSQT is the relevant Participant's US Quota Tonnage (excluding, in the case of RSSA Participants, the Supplier EI Component of US Quota Tonnage to the extent the RSSA Participant has elected to market that itself in accordance with this section 4).

QSLP is the **QSL Proportion of CQE Tonnes** in respect of the Participant, being:

For Participants that are RSSA Participants:

deemed to be 100% where the RSSA Participant elects not to market its Supplier EI Component of US Quota Tonnage; or

where the RSSA Participant elects to market its Supplier EI Component of US Quota Tonnage calculated as follows:

$$QSLP = 1 - \frac{SEI \text{ Sugar at the Pricing Declaration Date}}{\text{The Supplier Initial SPE}}$$

For Participants that are OSA Participants, deemed to be 100%.

PCQE is:

For Participants that are RSSA Participants, the CQE tonnes allocated to the RSSA Participant (or the related mill owner) by the Department of Agriculture and Water Resources.

For Participants that are OSA Participants, the CQE tonnes transferred to QSL by the Delivery Participant (or the relevant mill owner) in accordance with the relevant OSA.

TCQE is the total Tonnes Actual sold to United States export customers by QSL.

TCQE is the total of all Participants' CQE tonnes available to QSL for a Season, excluding:

CQEs purchased by QSL from mill owners (other than in connection with an OSA or as contemplated in section 2(b) above); and

CQE tonnes which RSSA Participants have elected to market themselves (as constituting the 'Supplier EI Component of US Quota Tonnage' for the purposes of their respective RSSA).

A Participant's US Quota Tonnage will be converted to Tonnes IPS by multiplying the Participant's US Quota Tonnage by the Participant's IPS Conversion Factor.

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4.3 US QUOTA POOL EI SUGAR

The **Supplier EI Component of US Quota Tonnage (SEIUST)** for a RSSA Participant will be calculated based on the information provided to QSL by the Pricing Declaration Date as follows:

$$SEIUST = \text{Supplier's CQE Tonnes} \times \frac{\text{SEI Sugar at the Pricing Declaration Date}}{\text{The Supplier Initial SPE}}$$

To the extent that the RSSA Participant elects to market its Supplier EI Component of US Quota Tonnage, that Raw Sugar will be allocated to the Supplier EI Pool instead of the US Quota Pool.

5 GROSS PRICE ELEMENT

The Gross Price Element in the US Quota Pool will be calculated as follows:

$$\text{Gross Price Element} = \frac{\text{AUD Gross Revenue for the US Quota Pool}}{\text{Total Tonnes IPS allocated to the US Quota Pool}}$$

where:

AUD Gross Revenue means the USD Gross Revenue for the US Quota Pool converted to AUD in accordance with QSL's board approved policies; and

USD Gross Revenue means the weighted average price achieved by QSL through ICE 16 futures pricing and direct negotiation with United States customers under its board approved policies for the US Quota Pool, including the costs of any Sugar Pricing Options entered by QSL to manage pricing risk in respect of the US Quota Pool, applied to the total Tonnes Actual allocated to the US Quota Pool.

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 the US Quota Pool as if they were set out in full in these US Quota Pricing Pool Terms.

7 GLOSSARY

Capitalised terms used in these US Quota Pricing Pool Terms have the meaning set out in the Pool Terms Glossary.

8 WHO TO CONTACT?

If you have any queries in relation to these US Quota 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

For more information contact:

Queensland Sugar Limited
Level 12 348 Edward Street Brisbane QLD 4000
GPO Box 891 Brisbane QLD 4001

Telephone +61 7 3004 4400 **Email** info@qsl.com.au **www** www.qsl.com.au

