

SELF-MANAGED HARVEST 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 Self-Managed Harvest Pool for the 2019 Season will be determined in accordance with these Self-Managed Harvest 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 Self-Managed Harvest Pool is calculated, it is important to read each of these Self-Managed Harvest Pool Pricing Pool Terms, the QSL Common Pool Terms and the QSL Shared Pool Terms.

2 SELF-MANAGED HARVEST POOL

The key features of the Self-Managed Harvest Pool are:

- (a) Alternative to the QSL Harvest Pool for tonnage not allocated to a Committed Pool – the QSL Self-Managed Harvest Pool contains Raw Sugar which would otherwise be allocated to the QSL Harvest Pool and that an eligible Participant elects to be the Risk Manager for in accordance with clause 5

of these Self-Managed Harvest Pool Pricing Pool Terms (with such a Participant referred to as the **Self-Managed Harvest Pool Participant**). As a result:

- (i) the volume in the QSL Self-Managed Harvest Pool for the Self-Managed Harvest Pool Participant will fluctuate with changes in the size of the Self-Managed Harvest Pool Participant's supply estimate;
 - (ii) but the Self-Managed Harvest Pool Participant will not be exposed to any Costs arising from a Production Buffer Failure Adjustment in respect of the QSL Harvest Pool.
- (b) Participant is the Risk Manager – the Self-Managed Harvest Pool Participant is responsible for pricing of all Raw Sugar it allocated to the Self-Managed Harvest Pool in accordance with their own risk management approach.
 - (c) Marketed and priced in separate tranches which are designed to manage particular risks (see Self-Managed Harvest Pool Marketing Tranches, Self-Managed Harvest Pool – Marketing and Self-Managed Harvest Pool – Pricing below for further details). QSL will market the Raw Sugar allocated to the Self-Managed Harvest Pool and QSL Harvest Pool together, but the Raw Sugar allocated to the Self-Managed Harvest Pool will be priced by the Self-Managed Harvest Pool Participant independently of the pricing conducted by QSL in respect of the QSL Harvest Pool.
 - (d) Single Participant pool – no other Participant can have Raw Sugar allocated to a Participant's Self-Managed Harvest Pool. Where multiple participants nominate to participate in a Self-Managed Harvest Pool, they each participate in their own individual Self-Managed Harvest Pool (so they are not exposed to the pricing decisions of other Participants).
 - (e) Minimum Tonnage for Eligibility – in order to be eligible to participate in the Self-Managed Harvest Pool for a Season, a Participant must have a minimum supply estimate of 300 Tonnes Actual of Raw Sugar.
 - (f) Minimum Allocation to Participate (and resulting Commitment Limit) – a Self-Managed Harvest Pool Participant must allocate at least 35% of their

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

supply estimate of Raw Sugar for the Season to the Self-Managed Harvest Pool (such that their Commitment Limit for that Season will be 65%).

- (g) An Uncommitted Pool – the Self-Managed Harvest Pool is an Uncommitted Pool. However, once priced, tonnage in the Self-Managed Harvest Pool becomes Committed Sugar. Consequently, if as a result of a reduction in the Self-Managed Harvest Pool Participant's supply estimate or deliveries an exposure to an ICE 11 position that has already been priced by the Self-Managed Harvest Pool Participant becomes negative, the Self-Managed Harvest Pool Participant will need to unwind that position using the same principles as a failure to deliver Committed Sugar as specified in section 5 of the QSL Common Pool Terms.
- (h) An ICE 11 Pool – such that the Gross Price Element is determined by reference to USD revenue derived through selling ICE 11 futures contracts.
- (i) QSL Marketed Pool – QSL is responsible for marketing all Raw Sugar allocated to the Self-Managed Harvest Pool.

3 COMPARISON OF RISK PROFILE TO PASSIVE MANAGEMENT BENCHMARK

As pricing decisions are made by the Self-Managed Harvest Pool Participant in accordance with the Self-Managed Harvest Pool Participant's individual risk management approach, the risk profile (and how it compares relative 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) will vary between Self-Managed Harvest Pool Participants. Please refer to the QSL Grower Handbook for details on comparing pools for differing levels of risk.

4 GROSS PRICE ELEMENT

The Gross Price Element in the Self-Managed Harvest Pool is determined based on the pricing conducted by ICE 11 Contracts executed on the ICE or in the OTC swap market for the Self-Managed Harvest Pool Participant (see 8.2 below). As a result, the Gross Price Element may be different for each Self-Managed Harvest Pool Participant. This USD revenue stream derived from the ICE 11 or swap contracts will be converted to AUD under the pricing policy applied by QSL to achieve the target pricing set by the QSL Self-Managed Harvest Pool Participant.

5 SELF-MANAGED HARVEST POOL – PARTICIPATION

5.1 PARTICIPATION IN THE SELF-MANAGED HARVEST POOL

- (a) In order to participate in the Self-Managed Harvest Pool for the coming Season, a Participant must nominate on or before 31 October in the calendar

year prior to the Season commencing (for example, 31 October 2018 for the 2019 Season) (the **Self-Managed Harvest Pool Election Date**).

- (b) A failure to nominate to participate in the Self-Managed Harvest Pool before the Self-Managed Harvest Pool Election Date will result in the Participant having Raw Sugar allocated to the QSL Harvest Pool instead.

5.2 SUBSTANTIATION OF MINIMUM VOLUMES ALLOCATED

To the extent a Participant nominates Raw Sugar to be allocated to the Self-Managed Harvest Pool, QSL may:

- (a) request that the Participant provide the documentation to substantiate that nomination and related supply estimates, including:
 - (i) written confirmation of the form of cane supply or other agreements relevant to the quantity of Raw Sugar able to be supplied to QSL entered by the Participant (and where the Participant has entered different forms of such agreements, confirmation as to the tonnes of cane anticipated to be supplied under each separate form of agreement);
 - (ii) details of the cane supply formulae or other alternative methodology used in cane supply or other agreements relevant to the quantity of Raw Sugar able to be supplied to QSL entered by the Participant (including, where relevant, the basis for determining GEI Sugar and SEI Sugar); and
 - (iii) written confirmation of the ownership of cane farms by the Participant or its Related Bodies Corporate (and confirmation as to the aggregate tonnes of cane anticipated to be produced by such cane farms); and
- (b) require a Delivery Participant to consult with any Grower Association or other organisation representing Growers in a region which supply cane to the Delivery Participant to gain their views regarding the accuracy of the relevant nominations of the Delivery Participant.

If, following a request for substantiation under this section 5.2:

- (c) the Participant fails to provide substantiation of the relevant nominations or estimates; or
- (d) QSL is otherwise not reasonably satisfied as to the accuracy of those nominations or estimates (having had regard, without limitation, at least all material provided by the Participant as substantiation), within 1 month of when QSL exercises its rights to request substantiation, QSL may refuse an allocation to the Self-Managed Harvest Pool (provided that QSL acknowledges it will not be possible for the Participant to substantiate with absolute accuracy and QSL will only exercise its right to refuse an allocation to the Self-Managed Harvest Pool where there is a material discrepancy or lack of substantiation).

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

6 SELF-MANAGED HARVEST POOL MARKETING TRANCHES

6.1 SELF-MANAGED HARVEST POOL TO BE MARKETED IN TWO TRANCHES

- (a) The Self-Managed Harvest Pool will be marketed (physically sold to customers) by QSL in two tranches, being the Discretionary Tranche and the Production Buffer Tranche.
- (b) The two marketing tranches are designed to ensure that QSL will:
 - (i) through the Discretionary Tranche, market a quantity of the Self-Managed Harvest Pool earlier in the Season:
 - (A) to ensure there is sufficient storage capacity at the bulk sugar terminals to store Raw Sugar required for out-of-crushing-season shipments; and
 - (B) to assist QSL to receive the best price for Raw Sugar, for the balance of the QSL Self-Managed Harvest Pool not allocated to the Production Buffer Tranche; and
 - (ii) through the Production Buffer Tranche, to only market the remainder of the Self-Managed Harvest Pool following its physical delivery to QSL (or through limited use of options as described in clause 7.2 below), so as to mitigate the financial risks borne by the Self-Managed Harvest Pool Participant due to potential reductions in production levels from those initially estimated by or for the Self-Managed Harvest Pool Participant at the Pricing Declaration Date.

6.2 INITIAL ALLOCATION TO PRODUCTION BUFFER TRANCHE

The Production Buffer Tranche will initially be allocated 20% of the Self-Managed Harvest Pool Participant's Initial SPE and be marketed in accordance with clause 7 and priced in accordance with clause 8.

6.3 INITIAL ALLOCATION TO DISCRETIONARY TRANCHE

The total tonnage of Raw Sugar initially allocated to the Discretionary Tranche will be calculated as all Raw Sugar allocated to the Self-Managed Harvest Pool that is not allocated to the Production Buffer Tranche and be marketed in accordance with clause 7 below.

For the purposes of allocating ICE 11 Futures pricing exposures for price risk management purposes, the Discretionary Tranche has two components – the In-Season Discretionary Tonnage and the Out-of-Season Discretionary Tonnage (calculated in accordance with clause 8.2). Pricing of the two components will be conducted by the Self-Managed Harvest Pool Participant in accordance clause 8.4.

7 SELF-MANAGED HARVEST POOL MARKETING

7.1 MARKETING OF SELF-MANAGED HARVEST POOL AND QSL HARVEST POOL

QSL will market:

- (a) the Discretionary Tranche of the Self-Managed Harvest Pool in conjunction with the Discretionary Tranche for the QSL Harvest Pool and the Self-Managed Harvest Pool of each other Self-Managed Harvest Pool Participant; and
- (b) the Production Buffer Tranche of the Self-Managed Harvest Pool in conjunction with the Production Buffer Tranche for the QSL Harvest Pool and the Self-Managed Harvest Pool of each other Self-Managed Harvest Pool Participant.

7.2 MARKETING MECHANISMS

To assist in managing the volume risk arising from the Self-Managed Harvest Pool being an Uncommitted Pool, the marketing of the Raw Sugar allocated to the Self-Managed Harvest Pool occurs through a combination of:

- (a) Standard physical sales Contracts for sale of Queensland Raw Sugar;
- (b) **Omnibus Origin Options**, being a Raw Sugar sales Contract under which Raw Sugar from one or more alternative countries of origin may be used to meet any or all supply obligations under that contract which QSL had intended to meet with Queensland Raw Sugar; and
- (c) **Volume Options**, being an agreement under which QSL gains the right to sell Raw Sugar to a Customer at a set CFR Premium, but is under no obligation to do so.

7.3 MARKETING – PRODUCTION BUFFER

- (a) Physical sales to customers (marketing) of Raw Sugar allocated to the Production Buffer Tranche may commence from Pricing Declaration Date.
- (b) For any physical sales to customers made prior to a corresponding volume of Raw Sugar allocated to the Production Buffer Tranche having been physically delivered, the sale must include Omnibus Origin Options in accordance with QSL's board approved policies. Sales of this nature in this period must not exceed 50% of the aggregate tonnage allocation to the Production Buffer Tranche of the Self-Managed Harvest Pool, the QSL Harvest Pool and the Self-Managed Harvest Pool of each other Self-Managed Harvest Pool Participant.
- (c) QSL may also enter Volume Options in respect of Raw Sugar allocated to the Production Buffer Tranche prior to a corresponding volume of Raw Sugar allocated to the Production Buffer Tranche having been physically delivered, provided that the Volume Options are not exercised by QSL until a

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

corresponding volume of Raw Sugar allocated to the Production Buffer Tranche has been physically delivered.

7.4 MARKETING – DISCRETIONARY TRANCHE

Physical sales to customers (marketing) of Raw Sugar allocated to the Discretionary Tranche may commence from the first day after the Self-Managed Harvest Pool Election Date.

For any physical sales to customers made prior to the Pricing Declaration Date, the sale must include Omnibus Origin Options in accordance with QSL's board approved policies.

8 SELF-MANAGED HARVEST POOL PRICING

8.1 SELF-MANAGED HARVEST POOL PARTICIPANT IS THE RISK MANAGER

- (a) The Self-Managed Harvest Pool Participant is the Risk Manager for all of the Self-Managed Harvest Pool Participant's Raw Sugar allocated to the Self-Managed Harvest Pool for a Season, subject to the limited exceptions in clauses 8.6 and 8.7.
- (b) The Self-Managed Harvest Pool Participant will undertake pricing activities in accordance with this clause 8.

8.2 PRICING EXPOSURE

- (a) QSL will allocate to the Self-Managed Harvest Pool Participant pricing exposure to ICE 11 Futures in accordance with this clause 8.2.
- (b) Subject to clause 8.2(d), the initial allocation of ICE 11 Futures to be priced by the Self-Managed Harvest Pool Participant will be calculated on the Self-Managed Harvest Pool Election Date as follows:
 - (i) **Out of Season Tonnage** will be the greater of:
 - (A) the tonnage in the Production Buffer Tranche; or
 - (B) 50% of the total tonnage allocated to the Self-Managed Harvest Pool;
 - (ii) **In Season Tonnage** will be the remaining balance of the tonnage in the Self-Managed Harvest Pool;
 - (iii) **In Season Tonnage** will be allocated in a ratio of 1:2 as between the July 2019 and October 2019 ICE 11 Futures contract; and
 - (iv) **Out of Season Tonnage** will be allocated in a ratio of 2:1 as between the March 2020 and May 2020 ICE Futures contract.
- (c) For pricing purposes, the Discretionary Tranche will also be allocated, subject to clause 8.2(d), between:
 - (i) the **In-Season Discretionary Tranche Component** – which is the In-Season Tonnage; and

- (ii) the **Out-of-Season Discretionary Tranche Component** – which will be the Out of Season Tonnage less the Production Buffer Tranche (or zero where the Production Buffer Tranche is greater than or equal to the Out of Season Tonnage).

- (d) The allocations to the Self-Managed Harvest Pool Participant of pricing exposures for the July 2019, October 2019, March 2020 and May 2020 ICE Futures which would otherwise apply under clause 8.2(b) and 8.2(c) are to occur to the nearest increment of 10 tonnes, rounded down, in order to allow pricing to occur in 10 tonne increments. Any residual tonnage in the Self-Managed Harvest Pool will be priced by QSL in accordance with clause 8.7.
- (e) Once initially allocated, the exposures allocated by QSL would only vary as a result of changes in the Self-Managed Harvest Pool Participant's supply estimate.
- (f) QSL will notify the Self-Managed Harvest Pool Participant of the balance of its available (unpriced) pricing exposure allocations on 1 November and monthly thereafter until all tonnages in the Self-Managed Harvest Pool for the Season have been priced.

8.3 SETTING TARGET PRICES

- (a) Participants which allocate Raw Sugar to the Self-Managed Harvest Pool will set target prices on an AUD/ Tonne Actual basis for the Gross Price Element of the Pool return. Targets must be specified for each ICE 11 Contract futures position (July 2019, October 2019, March 2020, May 2020), for the exposures as determined in clause 8.2 above, with orders able to be given in 10 tonne increments for pricing against each ICE 11 Contract futures position.
- (b) For RSSA Participants, Growers will set their own targets in accordance with their local pricing arrangements with the RSSA Participant (or the mill owner which is a Related Body Corporate).
- (c) For OSA Participants, the target prices will be set based on the elections of the Grower which supplied the relevant GEI Sugar

8.4 DISCRETIONARY TRANCHE – PRICING

The Self-Managed Harvest Pool Participant may undertake pricing for all Raw Sugar allocated to the Discretionary Tranche (both the In-Season Discretionary Tranche Component and Out-of-Season Discretionary Tranche Component), using the above mechanism, following the Marketing Declaration Date.

8.5 PRODUCTION BUFFER TRANCHE – PRICING

The Self-Managed Harvest Pool Participant may undertake pricing of Raw Sugar allocated to the Production Buffer Tranche following physical delivery of the Raw Sugar to QSL, using the mechanism described in clause 8.3 above.

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

8.6 WHERE SELF-MANAGED HARVEST POOL PARTICIPANT FAILS TO PRICE

- (a) Where the Self-Managed Harvest Pool Participant fails to execute sufficient pricing (to meet their allocated ICE 11 Futures pricing exposures) for an Available Contract by the completion of trading on the Fifth Last Trading Session for the relevant contract, QSL will sell such number of ICE 11 contracts as is sufficient to promptly close out QSL's long futures positions that would otherwise have been closed out had the Self-Managed Harvest Pool Participant completed the required pricing with QSL.
- (b) Any Costs incurred by QSL in closing out the long futures positions will be for the account of the Self-Managed Harvest Pool Participant and reduce amounts to be paid to the Self-Managed Harvest Pool Participant as calculated under the Pricing Pool Terms.

8.7 QSL PRICING OF RESIDUAL TONNAGE

- (a) Where, through a product of pricing exposures being allocated in 10 tonne increments, there is a tonnage that does not have corresponding pricing exposures allocated to the Self-Managed Harvest Pool Participant by QSL (in accordance with clause 8.2 or clause 9 following changes in supply estimates), QSL will be responsible for pricing that volume against the May 2020 ICE 11 Futures contract at 15 April 2020.
- (b) QSL will undertake pricing of such residual tonnages in conjunction with pricing of residual tonnages from all other Self-Managed Harvest Pool pools, and share the pricing outcome pro-rata to the aggregate residual tonnages priced in this manner with all Self-Managed Harvest pools.

9 CHANGE IN SUPPLY ESTIMATE

9.1 INCREASE IN SUPPLY ESTIMATE

- (a) If there is any increase in the Self-Managed Harvest Pool Participant's supply estimate or allocation to the Self-Managed Harvest Pool:
 - (i) between the Marketing Declaration Date and the Pricing Declaration Date, the ICE 11 Futures exposures to be allocated by QSL will be recalculated in accordance with clause 8.2(a);
 - (ii) after the Pricing Declaration Date, the Production Buffer Tranche will be increased, and the ICE 11 Futures exposure allocated by QSL for the March 2020 and May 2020 contracts will be recalculated in a ratio of 2:1, provided that if some or all of the residual which would be allocated to be priced to QSL under clause 8.7 could instead make up a further 10 tonne increment in the May 2020 exposure, it will instead be allocated to the Self-Managed Harvest Pool Participant to price in the May 2020 allocation.

9.2 DECREASE IN SUPPLY ESTIMATE

- (a) If there is a decrease in the Self-Managed Harvest Pool Participant's supply estimate that reduction shall first be applied against the Self-Managed Harvest Pool.
- (b) Within the Self-Managed Harvest Pool, any reduction shall be allocated:
 - (i) in respect of available pricing exposures, to the March 2020 and May 2020 ICE 11 Contracts in a ratio of 2:1, provided that if some or all of the residual which would be allocated to be priced to QSL under clause 8.7 could instead make up a further 10 tonne increment in the May 2020 exposure, it will instead be allocated to the Self-Managed Harvest Pool Participant to price in the May 2020 allocation; and
 - (ii) in respect of marketing tranches, in the following order of priority:
 - (A) the Production Buffer;
 - (B) unpriced tonnage in the Discretionary Tranche.
- (c) If the reduction in supply is sufficient that the Self-Managed Harvest Pool Participant has failed to supply the Committed Sugar in the Self-Managed Harvest Pool that will have the consequences described in clause 9.3.

9.3 FAILURE TO DELIVER COMMITTED SUGAR (I.E. PRICE TONNAGE IN THE SELF-MANAGED HARVEST POOL)

- (a) Tonnage that has been priced in the Self-Managed Harvest Pool is Committed Sugar.
- (b) Where there is insufficient un-priced tonnage to absorb the total quantity of the failure to deliver or have delivered Committed Sugar in respect of the Self-Managed Harvest Pool, the remaining tonnage will be applied against priced tonnage for the Self-Management Harvest. This priced tonnage will need to be cancelled, with the Self-Managed Harvest Pool Participant being responsible for the Costs or benefits in doing so.
- (c) The provisions of clause 5.5(c)-(h) of the QSL Common Pool Terms will apply in relation to such cancellations.
- (d) As the final amount of priced Raw Sugar not delivered will not be able to be quantified until the Failing Participant (or relevant Delivery Participant) finishes crushing cane, this procedure will be applied in a layered approach in accordance with clause 5.9 of the QSL Common Pool Terms.

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

10 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 Self-Managed Harvest Pool as if they were set out in full in these Self-Managed Harvest Pool Pricing Pool Terms.

11 GLOSSARY

Capitalised terms used in these Self-Managed Harvest Pool Pricing Pool Terms have the meaning set out in the Pool Terms Glossary.

12 WHO TO CONTACT?

If you have any queries in relation to these Self-Managed Harvest 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.

13 WORKED EXAMPLES

The below worked examples are intended to assist Participants in understanding the operation of these Self-Managed Harvest Pool Pricing Pool Terms.

13.1 EXAMPLE 1: INITIAL ALLOCATION OF PRICING EXPOSURES

This occurs on the Marketing Declaration Date (and Self-Managed Harvest Pool Election Date) and for each change of supply estimate for a Self-Managed Harvest Pool Participant occurring after that time but before the Pricing Declaration Date.

Assumptions:

- 300 tonne supply estimate
- 35% (105 tonnes) allocated to Self-Managed Harvest Pool

Production Buffer Tranche = $0.2 \times 300 = 60$ tonnes

Out of Season Tonnage = 60 (as Production Buffer Tranche is greater than $105 \times 50\%$)

In-Season Tonnage = $105 - 60 = 45$ tonnes

Initial allocation of In-Season Tonnage and Out-of-Season Tonnage in the applicable 1:2 and 2:1 ratios produces:

	In-Season Tonnage (45)		Out-of-Season Tonnage (60)	
	July 19	Oct 19	Mar 20	May 20
Initial allocation in 1:2 / 2:1 ratio	15	30	40	20
Allocation to Participant (after rounding to 10 tonne increments)	10	30	40	20
Resulting residual tonnage to be priced by QSL				5

As the Out-of-Season Tonnage allocation (60) is not greater than the Production Buffer, all of the Out-of-Season Tonnage forms part of the Production Buffer and there is no Out-of-Season Discretionary Tranche component.

13.2 EXAMPLE 2: INITIAL ALLOCATION OF PRICING EXPOSURES WHERE THERE IS SUFFICIENT RAW SUGAR ALLOCATED TO THE SELF-MANAGED HARVEST POOL THAT THERE IS AN OUT-OF-SEASON DISCRETIONARY TRANCHE COMPONENT

Assumptions:

- 300 tonne supply estimate
- 200 tonnes allocated to Self-Managed Harvest Pool

Production Buffer Tranche = $0.2 \times 300 = 60$ tonnes

Out-of-Season Tonnage = 100 (as $200 \times 50\%$ is greater than the 60 tonne Production Buffer Tranche)

In-Season Tonnage = $200 - 100 = 100$ tonnes

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

Initial allocation of In-Season Tonnage and Out-of-Season Tonnage in the applicable 1:2 and 2:1 ratios produces:

	In-Season Tonnage (100)		Out-of-Season Tonnage (100)	
	July 19	Oct 19	Mar 20	May 20
Initial allocation in 1:2 / 2:1 ratio	33.3	66.6	66.6	33.3
Allocation to Participant (after rounding to 10 tonne increments)	30	60	60	30

As the Out-of-Season Tonnage allocation (100) is greater than the Production Buffer Tranche (60), the Out-of-Season Discretionary Tranche Component will be the surplus (40).

The Out-of-Season Discretionary Tranche Component will then be allocated between the March 2020 and May 2020 ICE 11 futures into the 2:1 ratio (with rounding down to the nearest 10 tonne increment), resulting in the following:

	In-Season Tonnage (100)		Out-of-Season Tonnage (100)	
	July 19	Oct 19	Mar 20	May 20
Discretionary Tranche				
In-Season Component	30	60		
Out-of-Season Component			20	10
Production Buffer Tranche			40	20
Resulting residual tonnage to be priced by QSL				20

13.3 EXAMPLE 3: INCREASE IN SUPPLY ESTIMATE POST PRICING DECLARATION DATE

Assumptions:

- Same Participant as in Example 1, initial 300 tonne supply estimate, 35% (105 tonnes) allocated to Self-Managed Harvest Pool
- Increase to 320 tonne supply estimate after the Pricing Declaration Date, resulting in allocation to Self-Managed Harvest Pool increasing to 125 tonnes

Production Buffer Tranche adjusted for the increase = $(0.2 \times 300) + 20 = 80$

Out-of-Season Tonnage = Will increase from the previous 60 by the supply estimate increase (20) to 80 tonnes

In-Season Tonnage = $125 - 80 = 45$ tonnes (i.e. no adjustment for the increase)

Allocation of In-Season Tonnage and Out-of-Season Tonnage in the applicable 1:2 and 2:1 ratios produces (with there being sufficient residual on a strict application of the 2:1 March 2020/May 2020 ratio to make up a further 10 tonne increment allocation to the May 2020 exposure):

	In-Season Tonnage (45)		Out-of-Season Tonnage (80)	
	July 19	Oct 19	Mar 20	May 20
Initial allocation in 1:2 / 2:1 ratio	15	30	53.3	26.6
Allocation to Participant (after rounding to 10 tonne increments and inclusive of residual rounding from other positions)	10	30	50	30
Resulting residual tonnage to be priced by QSL				5

As the Out-of-Season Tonnage allocation (80) is not greater than the Production Buffer, all of the Out-of-Season Tonnage forms part of the Production Buffer and there is no Out-of-Season Discretionary Tranche component.

SELF-MANAGED HARVEST POOL PRICING POOL TERMS (2019 SEASON)

13.4 EXAMPLE 4: DECREASE IN SUPPLY ESTIMATE POST PRICING DECLARATION DATE

Assumptions:

- Same Participant as in Example 1, initial 300 tonne supply estimate, 35% (105 tonnes) allocated to Self-Managed Harvest Pool
- Decrease to 280 tonne supply estimate after the Pricing Declaration Date, resulting in allocation to Self-Managed Harvest Pool decreasing to 85 tonnes

Production Buffer Tranche adjusted for the increase = $(0.2 \times 300) - 20 = 40$

Out-of-Season Tonnage = Will decrease from the previous 60 by the supply estimate decrease (20) to 40 tonnes

In-Season Tonnage = $85 - 40 = 45$ tonnes (i.e. no adjustment for the decrease)

Allocation of In-Season Tonnage and Out-of-Season Tonnage in the applicable 1:2 and 2:1 ratios produces (with there being sufficient residual on a strict application of the 2:1 March 2020/May 2020 ratio to make up a further 10 tonne increment allocation to the May 2020):

	In-Season Tonnage (45)		Out-of-Season Tonnage (40)	
	July 19	Oct 19	Mar 20	May 20
Initial allocation in 1:2 / 2:1 ratio	15	30	26.6	13.3
Allocation to Participant (after rounding to 10 tonne increments and inclusive of residual rounding from other positions)	10	30	20	20
Resulting residual tonnage to be priced by QSL				5

As the Out-of-Season Tonnage allocation (40) is not greater than the Production Buffer, all of the Out-of-Season Tonnage forms part of the Production Buffer and there is no Out-of-Season Discretionary Tranche component.

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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