SELF-MANAGED PRICING PRODUCT

QUEENSLAND SUGAR LIMITED

ABN 76 090 152 211

Your Trusted Partner

QSL TARGET PRICE CONTRACT

PRICING POOL TERMS (2019, 2020, 2021 SEASONS)

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 the QSL Target Price Contract for the applicable Seasons will be determined in accordance with these QSL Target Price Contract 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 Target Price Contract is calculated, it is important to read each of these QSL Target Price Contract Pricing Pool Terms, the QSL Common Pool Terms and the QSL Shared Pool Terms.

2 QSL TARGET PRICE CONTRACT

The QSL Target Price Contract aims to provide opportunities to Participants (and indirectly their Growers) to fix the Gross Price Element for a nominated tonnage if the market trades to an AUD target price ahead of the Season in which that Raw Sugar is produced, or within the Season that the raw sugar is produced.

The key features of the QSL Target Price Contract are:

(a) QSL Marketed Pool – QSL is responsible for marketing the Raw Sugar allocated to the QSL Target Price Contract;

(b) Forward Season Pool – Participants are able to price Raw Sugar allocated to the QSL Target Price Contract for:

(i) up to 3 Seasons in advance up to 3pm on any Business Day up to the Pricing Completion Date for the relevant Season (such that in the period up until 3pm on the Pricing Completion Date it is possible to price Raw Sugar in the QSL Target Price Contract for the 2019, 2020 or 2021 Seasons); and

(ii) during the current Season up to 3pm on the Pricing Completion Date;

The Pricing Completion Dates for the relevant Seasons are specified in the table below:

Season	Pricing Completion Date For MSF Growers	Pricing Completion Date For all other Participants
2019 Season	20 February 2020	17 April 2020
2020 Season	16 February 2021	19 April 2021
2021 Season	15 February 2022	18 April 2022

If QSL closes the QSL Target Price Contract (in accordance with the QSL Common Pool Terms), Participants will no longer be able to allocate further Raw Sugar to this QSL Target Price Contract, but it will continue to operate in respect of Raw Sugar which has already been priced (including in future Seasons) prior to it being closed;

(c) 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 the QSL Target Price Contract (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 the QSL Target Price Contract (see the QSL Common Pool Terms for further details);

(d) 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 the QSL Target Price Contract (including the 1:2:2:1 Fixed Pricing Exposure to ICE 11 Futures);

(e) An ICE 11 Pool – such that the Gross Price Element is determined by reference to USD revenue derived through selling ICE 11 futures contracts;

(f) Minimum tonnage – Subject to clause 5.1 below, the minimum tonnage of Raw Sugar that can be nominated to the QSL Target Price Contract is 10 metric tonnes. Participants must specify the Raw Sugar allocated to the QSL Target Price Contract in whole multiples of 10 metric tonnes; and

(g) Participants will have the option of receiving the standard QSL advances program as per clause 6 of the QSL Common Pool Terms, or an Accelerated advances profile.

Where the Participant has 50 percent or more tonnage that remains unpriced for a particular Season after the month of September in that Season, QSL may suspend advance payments to the Participant or amend the Participant's advance payment program to avoid the Participant becoming overpaid.

The Accelerated advances program will only be available to Participants once they have completed all of their pricing for this Season.

For Participants selecting the Accelerated advances profile for the QSL Target Price Contract, advances shall be payable in accordance with the following profile which is an advances program specific to the QSL Target Price Contract (in accordance with clause 6 of the QSL Common Pool Terms):

(i) Participants will receive advance payments from QSL in the Season the Raw Sugar is delivered. Payments in the year of delivery from May in which the Season commences to November will be made in accordance with the advance payments profile as determined by the QSL board;

(ii) In December of the relevant crushing Season the advance rate for the QSL Target Price Contract is guaranteed to be a minimum of 90 per cent of the then-estimated Net IPS Price; and

(iii) No further payments will be made for this Pool after that payment until the advance rate for all other QSL-managed Pools exceeds 90 per cent.

(iv) The additional finance cost of this Accelerated advance payment profile will be reflected in a separate allocation in the Participant's Shared Pool result in accordance with clause 2.8 (g) of the QSL Shared Pool terms.

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 QSL Target Price Contract 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 the QSL Target Price Contract is determined based on the pricing conducted by ICE 11 Contracts executed on the ICE or in the OTC swap market for the Participant (see clause 5). As a result the Gross Price Element may be different for each Participant which allocates Raw Sugar to the QSL Target Price Contract.

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 Participant.

5 QSL TARGET PRICE CONTRACT MARKETING AND PRICING

5.1 SETTING THE TARGET PRICE

Participants which allocate Raw Sugar to the QSL Target Price Contract set target prices on an AUD/Tonne Actual basis for the Gross Price Element of the Pool return.

Target prices must be specified in 5 AUD increments. Order quantities must be specified in accordance with the table below:

Tully Growers	Orders must be in a minimum and multiple of an ICE 11 futures lot (50.8025 tonnes)
All Other Participants	Orders must be in a minimum and multiple of 10 tonnes

The AUD/Tonne Actual targets will be converted to an AUD/Tonnes IPS target in accordance with the local pricing arrangements between the relevant Grower and Participant.

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).

For OSA Participants, the target prices will be set based on the elections of the Grower which supplied the relevant GEI Sugar.

5.2 PRICING

QSL will manage orders from Participants in the ICE 11 or OTC market and will price the nominated tonnage once the relevant market reaches the Participant's target price. 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.

QSL will price the tonnage in the relevant market on a 'best endeavours' basis, such that QSL will price as much allocated tonnage as market conditions will allow (i.e. as will meet market demand).

Any tonnage priced on any given day will be shared amongst Participants who have unpriced tonnage for the same price target and Season in the chronological order in which they were received.

Where tonnage in the Pool remains unpriced 10 Business Days prior to the expiry of the July, October and March ICE 11 Contracts futures positions in the relevant Season, the portion of unpriced tonnage for the relevant ICE 11 Contract futures position shall be deferred to the next available ICE 11 Contract futures position. The deferment of pricing shall be effected by QSL selling tonnage in the OTC market or directly on the ICE 11 in respect of the expiring ICE 11 Contract futures position and buying tonnage in the subsequent ICE 11 Contract futures position. This action is is commonly referred to as rolling. These rolling transactions move the unpriced tonnage from the expiring ICE 11 Contract futures position forward to be priced against the next available ICE 11 Contract futures position (effectively deferring the amount of pricing that will be done against the expiring position to the next position). The deferment adjustment may be a cost or a benefit and shall be calculated as the difference between the price for the sold and bought tonnage (including foreign exchange cover). The orders placed for pricing after an ICE 11 Contract futures position has been deferred/ rolled will incorporate the cost or benefit of the previous deferment adjustments(s) and be priced in an adjusted pricing ratio.

Expiry Position (rolled from)	New Position	Roll date	Adjusted pricing ratio
July	October	20 June in the year of the Pricing Declaration Date for the relevant Season (22 June in the 2020 and 2021 Seasons due to 20 June being a weekend)	3:2:1 based on October, March and May contracts plus the deferment adjustment from the July contract
October	March	20 September in the year of the Pricing Declaration Date for the relevant Season (21 September in 2020 Season due to 20 September being a weekend)	5:1 based on March and May contracts plus deferment adjustments from the July and Oct contracts. MSF growers cannot defer/roll beyond the March contract.
March	May	20 February in the year after the Pricing Declaration Date for the relevant Season.	May contract only plus deferment adjustments from July, October, March contracts

5.3 VARYING ALLOCATIONS AND TARGET PRICE ORDERS

Participants can (in the case of OSA Participants, on request of the relevant Grower which has made the election to allocate the relevant GEI Sugar to the QSL Target Price Contract) amend tonnage allocations and target price orders prior to 3pm on any Business Day up to and including the Pricing Completion Date in the year that crushing commences.

Amendments to allocations and target price orders to the QSL Target Price Contract must occur in multiples as per the table below

Tully Growers	1 ICE 11 futures lot (50.8025 tonnes)
All Other Participants	10 tonnes

5.4 UNPRICED TONNAGE

Any tonnage not priced for a particular Season at the end of each Business Day will be carried forward to be priced at the next market opportunity, provided that the target order is not cancelled or withdrawn, up until the Pricing Declaration Date for that Season.

If a Participant's target price for a Season has not been achieved by the Pricing Declaration Date then:

(a) the Participant may (in the case of OSA Participants, on request of the relevant Grower which made the election to allocate the relevant GEI Sugar to the QSL Target Price Contract):

(i) cancel unfilled orders for that Season and allocate the tonnage to a current Season QSL Marketed Committed Sugar Pool or the QSL Harvest Pool (see the QSL Harvest Pool Pricing Pool Terms for details of the operation of the QSL Harvest Pool); or

(ii) retain unfilled orders or add new orders. New and unfilled orders at this point become Committed Sugar that must be priced by the Pricing Completion Dates as noted in the table in clause 2 (b) which is in the next calendar year.

(b) If the Participant fails to price any Raw Sugar allocated to this QSL Target Price Contract by the Pricing Completion Date then the remaining tonnage will be priced by QSL at the first market opportunity after the Pricing Completion Date.

For MSF Growers, the Pricing Completion Date shall be the 10th-last business day in February in the year after the Pricing. For all other Participants, the Pricing Completion date for a Season will be 10th-last business day in April in the year after the Pricing Declaration Date. The Pricing completion dates for the 2019, 2020 And 2021 Seasons are noted the table in in clause 2 (b).

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6 TRANSITIONAL ISSUES AND INCLUSION IN POOL OF EXISTING PRICING

6.1 EXISTING PARTICIPANT PRICING

Pricing for a Season may have been undertaken:

(a) by an OSA Participant prior to the relevant OSA being executed on the basis of interim pricing arrangements between the OSA Participant and a Grower or prior to the issue of the Pricing Pool Terms applicable to the relevant Season; and

(b) by an RSSA Participant, in respect of the QSL Target Price Contract Pool or QSL Fixed Price Forward Contract Pool prior to the establishment of the QSL Target Price Contract.

Where that has occurred, each relevant OSA Participant or RSSA Participant may elect to novate that existing pricing to QSL or in the case of pricing already with QSL, cancel those existing orders and place new pricing orders in the QSL Target Price Contract so as to allocate the relevant Raw Sugar to the QSL Target Price Contract, subject to:

(a) the costs of such novation or cancellation (as applicable) being borne by the Participant or relevant Growers; and

(b) the OSA Participant or RSSA Participant (as applicable) having the consent of the relevant Grower(s) for that novation.

6.2 EXISTING DIRECT GROWER PRICING

Pricing for the relevant Season may have been undertaken:

(a) by a Grower (directly with a financial institution) who has subsequently elected to allocate GEI Sugar to the QSL Target Price Contract; or

(b) by an OSA Participant with QSL in respect of the QSL Target Price Contract Pool or QSL Fixed Price Forward Contract Pool, prior to the establishment of the QSL Target Price Contract.

In those circumstances the Grower may elect to novate that existing pricing to QSL or in the case of pricing already with QSL, cancel those existing orders and place new pricing orders in the QSL Target Price Contract, so as to require the OSA Participant to allocate the relevant volume of Raw Sugar to the QSL Target Price Contract, subject to the costs of such novation or cancellation (as applicable) being borne by the Grower.

7 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 QSL Target Price Contract as if they were set out in full in these QSL Target Price Contract Pricing Pool Terms.

8 GLOSSARY

Capitalised terms used in these QSL Target Price Contract Pricing Pool Terms have the meaning set out in the QSL Pool Terms Glossary.

9 WHO TO CONTACT?

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

FURTHER INFORMATION

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