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Trading Sugar Terminals Limited Securities

Practice Note 8

Introduction

PRACTICE NOTE 8

The purpose of this Practice Note

The NSX Market provides the facility for trading securities with special requirements, but still within the same regulatory, trading, clearing and settlement framework. This practice note outlines the additional procedures required by Participants to adequately identify "Active Growers" and consequently determine trading status for securities in Sugar Terminals Limited (NSX: SUG). The trading in these securities is known as a closed market.

The Main Points

1. Definitions
 2. History of Sugar Terminals Limited
 3. Verifying an "Active Grower" by Participants
 4. Steps for Participants Required to Process Buy Orders
 5. Steps by Participant Required to Process Sell Orders
 6. Executing Bids, Offers and Trades
 7. Clearing and Settlement
 8. Errors and Cancellations
 9. What happens If a Trade Is later determined to be Invalid after Settlement has Occurred?
 10. Additional Information about Sugar Terminals Limited
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Related materials

NSX Listing Rules
NSX Business Rules

Guidance

The NSX issues practice notes to promote commercial certainty, reduce costs to business and assist market participants, and we are available to discuss any questions you have in relation to a practice note.

NSX may replace practice notes at any time. Issuers should contact NSX to ensure that they have the latest version of a practice note. As a practice note is only a guide to NSX practice, Issuers are advised to contact NSX to discuss their particular circumstances and the application of the listing rules. NSX cannot give legal advice to Issuers and recommends that they consider taking advice from a qualified professional person.

Section 1 - Definitions

"Act" means the Corporations Act 2001, as amended.

"Active Grower" means a person who has delivered or will deliver Sugar Cane to a Mill in Queensland under a cane supply contract during the current year's Production Season. "Person" shall include a trustee, an executor or personal representative and any party to a partnership or share-farming agreement.

"Miller Director" a Director appointed or elected by the holders of "M" Class Shares pursuant to Article 17.3(b) or Article 18.5 of STL Constitution.

"Participant" means:

- a. a company or partnership that is recognised as and remains recognised as a Participating Organisation by the Exchange; or
- b. any entity which is or was a member of the Exchange as at the date of adoption of these Rules; and who has not ceased to be a participant under the rules.

Section 2 - History of Sugar Terminals Limited

Background

On 28 April 1998, the Queensland Government endorsed the principle that the ownership of the Bulk Sugar Terminals (BST) should be transferred to an entity owned and controlled by Queensland cane farmers and sugar millers. Sugar Terminals Limited (STL, NSX Code: SUG) is the industry owned company that was incorporated in Queensland on 25 August 1998 to own the Bulk Sugar Terminals. The BST are facilities principally used by the Queensland Sugar Industry for the storage and shipping of bulk raw sugar and are located at the Ports of Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane.

The structure of each BST varies from port to port; however each has the same functionality and include sugar receival stations (rail or road), sugar storage sheds, conveyor galleries, weighbridges, weigh hoppers and ship loaders. They have a total storage capacity of approximately 2 million tonnes of raw sugar. Information on STL, its business and financial performance may be obtained from STL. Certain information is also available on STL's website www.sugarterminals.com.au.

What is STL's capital structure?

The share capital of STL is divided into "G" class shares and "M" class shares. STL has an issued share capital of 360,000,000 shares made up of:

- a. 229,348,203 "G" class shares;
- b. 130,651,797 "M" class shares;

Only G Class shares are available for trading via the NSX Market. M Class shares are unquoted securities and are not available for trading on the NSX Market.

What rights and restrictions attach to the "G" class shares?

1. The rights and restrictions attaching to ownership of shares in STL arise from a combination of STL's constitution, statute and general law. A summary of the more significant rights and restrictions attaching to the shares, as set out in STL's constitution, is as follows:
2. **Rights of "G" Class Shareholders** – The holders of "G" class shares are entitled:

to receive notice of and attend general meetings of STL, and to vote at these meetings in a manner provided in the Constitution;

to receive notice of and to attend class meetings of shareholders, and to vote at these meetings in a manner provided in the Constitution;

in a winding up or reduction in capital, to the repayment of capital paid up and to participate in the distribution of surplus assets;

to receive dividends as determined from time to time by the directors of STL.

3. **“G” Class Share Restrictions** – “G” class shares may be issued by STL only to “Active Growers”. Also, holders of “G” class shares may transfer those shares only to an “Active Grower”. The directors of STL must refuse an application for “G” class shares or the transfer of “G” class shares if the transferee has not provided a duly executed Member Status Declaration.
4. An Active Grower is a person who has delivered or will deliver Sugar Cane to a Mill in Queensland under a cane supply contract during the current year’s Production Season. **Person** shall include a trustee, an executor or personal representative and any party to a partnership or share-farming agreement.
5. The “G” class shares do not confer any right to vote on a resolution for the removal of a Miller director from office or to attend class meetings of the “M” class shareholders. Also, on a poll at a meeting of members, no holder of “G” class shares, being present in person, or by proxy or attorney or by representative, may vote more than the number of votes equal to 5% of the total number of “G” class shares.
6. In order to maintain sugar industry ownership of the bulk sugar terminals there is a requirement on shareholders to sell of their shares if they cease to be active in the industry. Specifically, a holder of “G” class shares who becomes an “Inactive Grower” must:
 - (a) sell of all of their “G” class shares as soon as practicable after becoming an Inactive Grower; and
 - (b) immediately notify the directors of STL in writing that they have become an Inactive Grower.
7. The directors of STL may issue a “Transfer Notice” requiring a person to dispose of all of their “G” class shares within a specified time if the directors of STL are satisfied that they have become an Inactive Grower or where they have failed to supply information to determine whether they have become an Inactive Grower. If the person fails to dispose of their shares, the directors of STL may act as the agent of the member to sell the shares held by the member.
8. Upon the issue of a Transfer Notice, a “G” class shareholder will cease to have voting rights at any general meeting or class meetings.

Section 3 - Verifying an "Active Grower" by Participants

Only an Active Grower can hold and trade "G" Class shares in Sugar Terminals Limited. "Active Grower" status can change over time.

Special procedures are in place to determine whether a buyer is an "Active Grower". This means Participants must follow a specific procedure before placing a buy order for a client on NETS.

These procedures are set out below.

Section 4 - Steps for Participants Required to Process Buy Orders

1. All buy orders must be accompanied by a *Member Status Declaration* (the form is attached to this Practice Note). A facsimile copy of the Declaration is acceptable.
2. Obtain Shareholder Registration Number (“SRN”) from the Client.
3. Check SRN and buyer eligibility with share registry by faxing to MUFG Corporate Markets on **02 9287 0303** *Holder Eligibility Check and Request for SRN Form and Member Status Declaration* (forms are attached to this Practice Note).
4. Participant to receive from the share registry a completed and executed *Holder Eligibility Check and SRN Form* which shows positive confirmation of eligibility to trade.
5. On positive confirmation the Participant can proceed to place buy order on the NSX market for “G” class ordinary securities.
6. The Participant to forward a copy of the signed *Member Status Declaration* to MUFG Corporate Markets at Lock Bag A14, South Sydney NSW 1235.
7. If the Client cannot provide a *Member Status Declaration* or if the share registry cannot provide a completed and signed *Holder Eligibility Check and SRN Form* refer the Client to the company secretary of Sugar Terminals Limited on **(07) 3221 7017**.
8. The Participant to retain on their records the completed and executed *Member Status Declaration and Holder Eligibility Check and Request for SRN Form*.

Section 5 - Steps by Participant Required to Process Sell Orders

1. Obtain the SRN from the Client.
2. Check SRN with share registry by faxing to MUFG Corporate Markets on **02 9287 0303** form 12A (request for SRN)
3. Place sell order on the NSX Market for “G” Class ordinary securities.

Section 6 - Executing Bids, Offers and Trades

Bids and Offers will be matched as per the NSX Business Rules. Once a trade occurs then normal reporting and settlement processes applies.

- a. The NSX, at its discretion may also verify the eligibility of a trade before settlement occurs.
- b. The Client can deal in any size parcel of shares.
- c. Participants are able to vary orders and trades in line with the NSX Business Rules.

Section 7 - Clearing and Settlement

1. Clearing and Settlement of "G" Class shares occurs in the same way as other securities listed on the NSX market.

2. Settlement occurs via CHES on a T+2 basis.
3. The share registry is MUFG Corporate Markets.

Section 8 - Errors and Cancellations

The Participant or Exchange can cancel the trade before settlement pursuant to Business Rule Part C Rule 88 if either the Participant or Exchange becomes aware that:

- a. the buyer is not eligible to buy Shares; or
- b. the Seller is not eligible to sell Shares

The Participant will return all monies within 3 trading days of the Order being cancelled.

Section 9 - What happens If a Trade Is later determined to be Invalid after Settlement has Occurred?

1. The directors of STL must refuse an application for "G" class shares or the transfer of "G" class shares if the directors are not satisfied that the applicant or transferee is an "Active Grower".
2. If the trade is affected and settlement has occurred, Sugar Terminals Limited may become aware that the buyer is not an "Active Grower" in which case Sugar Terminals Limited will issue a transfer notice requiring the buyer to divest the shares on the market.
3. If a shareholder of STL, who has a CHES holding, is issued with a transfer notice by STL, the share registry may give notice to the relevant Participant requiring the relevant Participant to transfer the shareholder's holding to Issuer Sponsored. Any Participant receiving such notice from the share registry is required to transfer the holding from CHES to Issuer Sponsored in accordance with the notice.
4. To avoid the possibility of a sell down of securities, all buyers must establish their status with Sugar Terminals Limited by contacting the company secretary on **(07) 3221 7017**.

Section 10 - Additional Information about Sugar Terminals Limited

Additional information may be obtained from the NSX website <https://www.nsx.com.au/marketdata/company-directory/SUG/> (SUG.NSX) or by contacting NSX directly via the details below. Further information can also be obtained from the Sugar Terminals Limited website <https://www.sugarterminals.com.au>.

Section 11 - Further Information

Further information can be obtained by contacting:

Market Operations

National Stock Exchange of Australia

Email: Market.Operations@nsx.com.au

Phone: (02) 9233 0100