ASX
AUSTRALIAN SECURITIES EXCHANGE

ASX Grain Futures and Options

Chicago

The W Hotel, 172 West Adams Street

Tuesday 2 Nov 2010

About ASX

The ASX Group of companies, includes the combined operations of ASX (formerly the Australian Stock Exchange) and ASX 24 (formerly SFE Corporation).

ASX Group activities span primary and secondary market services and include the:

- **Australian Securities Exchange**, which facilitates capital formation, hedging, trading and price discovery
- **ASX Clearing Corporation**, which manages central counterparty risk transfer
- **ASX Settlement Corporation**, which provides securities settlement for both the equities and fixed income markets, and
- **ASX Compliance**, which is a wholly owned subsidiary of ASX and performs the market oversight obligations necessary for a market, clearing and settlement facility operator. Effective 1 August 2010, the supervision of trading on ASX and the supervision of trading participants has been transferred from ASX to ASIC.

ASX Grain Futures and Options trade on the ASX platform (ASX Trade) in accordance with the ASX Operating Rules and ASX Clear Operating Rules.

ASX Grain Futures and Options

Contract	Physical Grade	Track Market
Western Australia Wheat	APW2 (10% protein)	Kwinana (WA)
Australian Milling Wheat	APW2 (10% protein)	Newcastle & Port Kembla (NSW)
Australian Feed Barley	F1	NSW, Geelong & Portland
Australian Sorghum	SOR	Brisbane / Newcastle
Australian Canola	CS01	NSW, Geelong, Portland & Port Adelaide

Standardised Features

1. Contract Size - 20 tonnes
   - a) Market accessible to all participants
   - b) Hedge / spread trades with North American contracts

     Chicago Wheat = 136 t, Chicago Corn = 127 t

2. Deliverable Contracts
   - a) Delivery sites widespread and open to all
   - b) Approved Bulk Handlers (elevators)
   - c) Delivery locations and grades closely aligned with Grain Trade Australia (GTA) track contract

3. January / March / May / July / September / November

   - a) January is the ‘new crop’ month for wheat, barley and canola and is listed out three years.
   - b) May is the ‘new crop’ month for sorghum and is also listed out three years.

Transition proposal

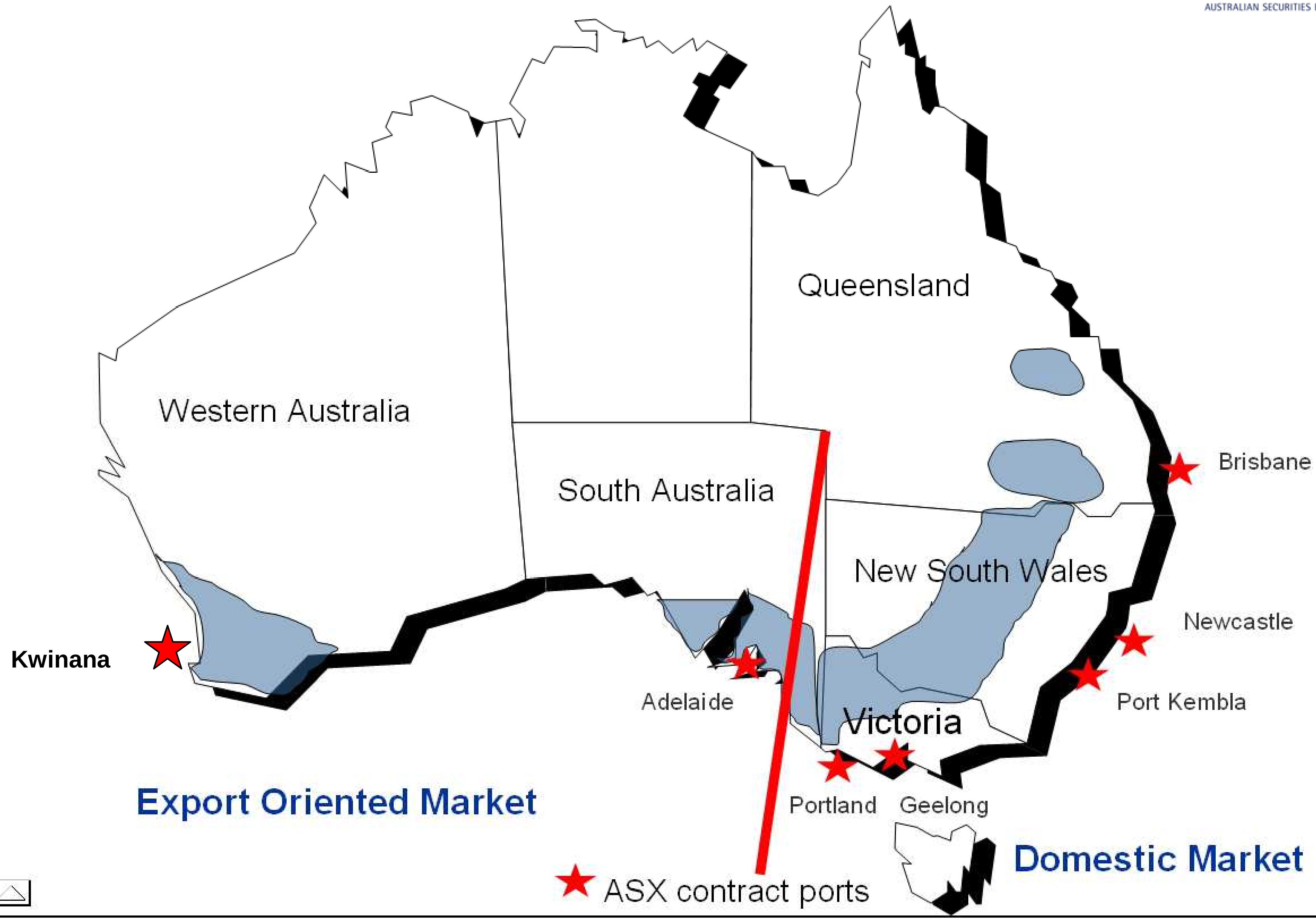
Australian Securities Exchange	**ASX** Current	**ASX 24** Proposed
Market	ASX Grain Futures & Options	**Transition Project**
Rules	ASX Operating Rules ASX Clear Operating Rules	ASX 24 Operating Rules ASX Clear (Futures) Operating Rules
Trading Platform	ASX Trade ITS - modified CLICK (NOMX Technology)	ASX Trade24
Clearing House	ASX Clear	ASX Clear (Futures) Pty Ltd
Delivery System	Commodities Delivery System Module within Derivatives Clearing System	Being developed
Margin System	Derivatives Margining System	SPAN*
Regulator	Australian Securities and Investments Commission (ASIC)	

* 'SPAN' and 'Standard Portfolio Analysis of Risk' are trademarks of CME Group.

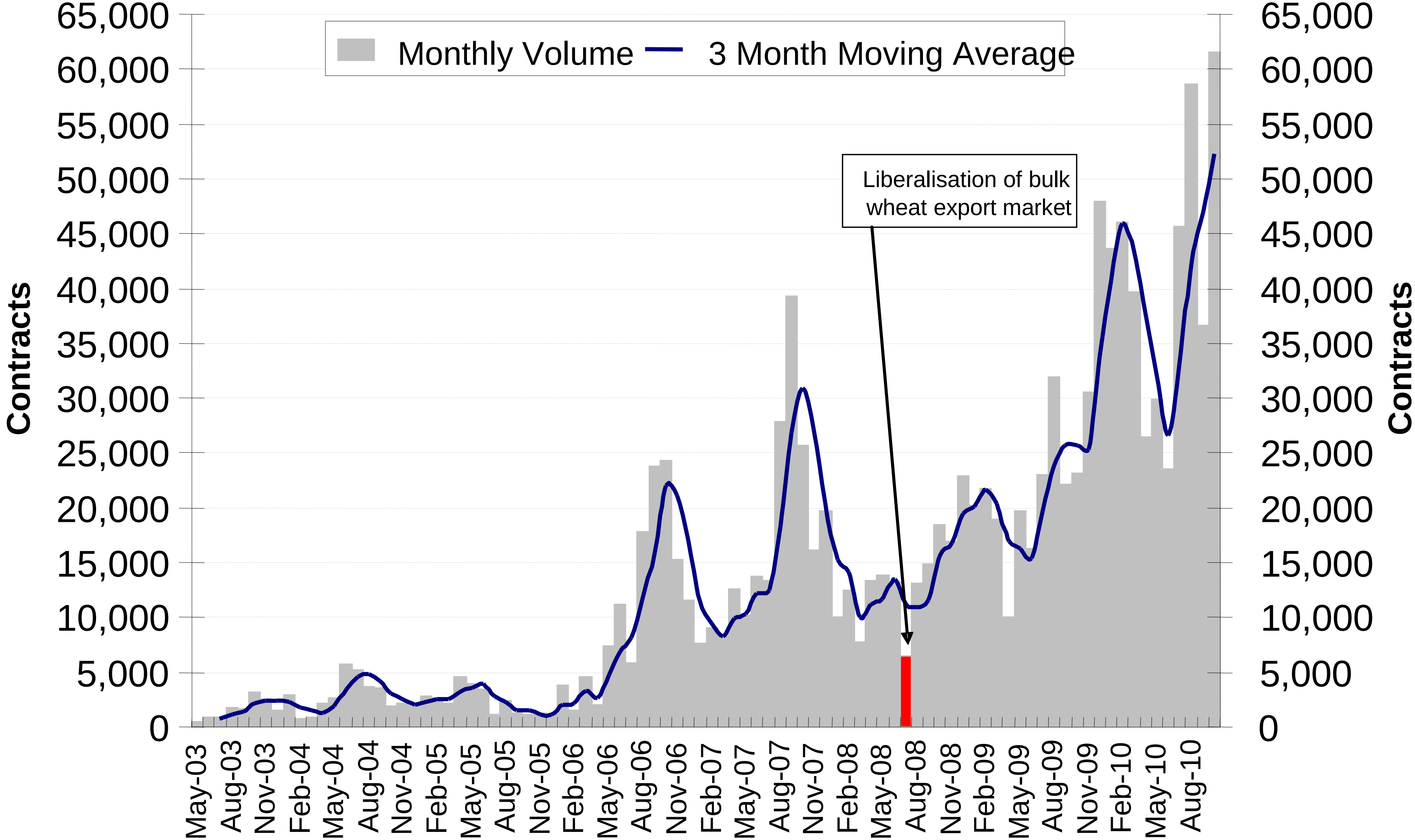
Why make the transition?

- Consolidation of ASX offering
- Purpose built trading platform
  - Enhanced spread functionality
  - 24 hour access
    - covering Asia, Europe and America
  - Established Independent Software Vendor connectivity
  - Established number of Clearing Participants
  - SPAN margining
- Supports further market growth and greater liquidity by improving functionality and accessibility.

Australian Grain Belt



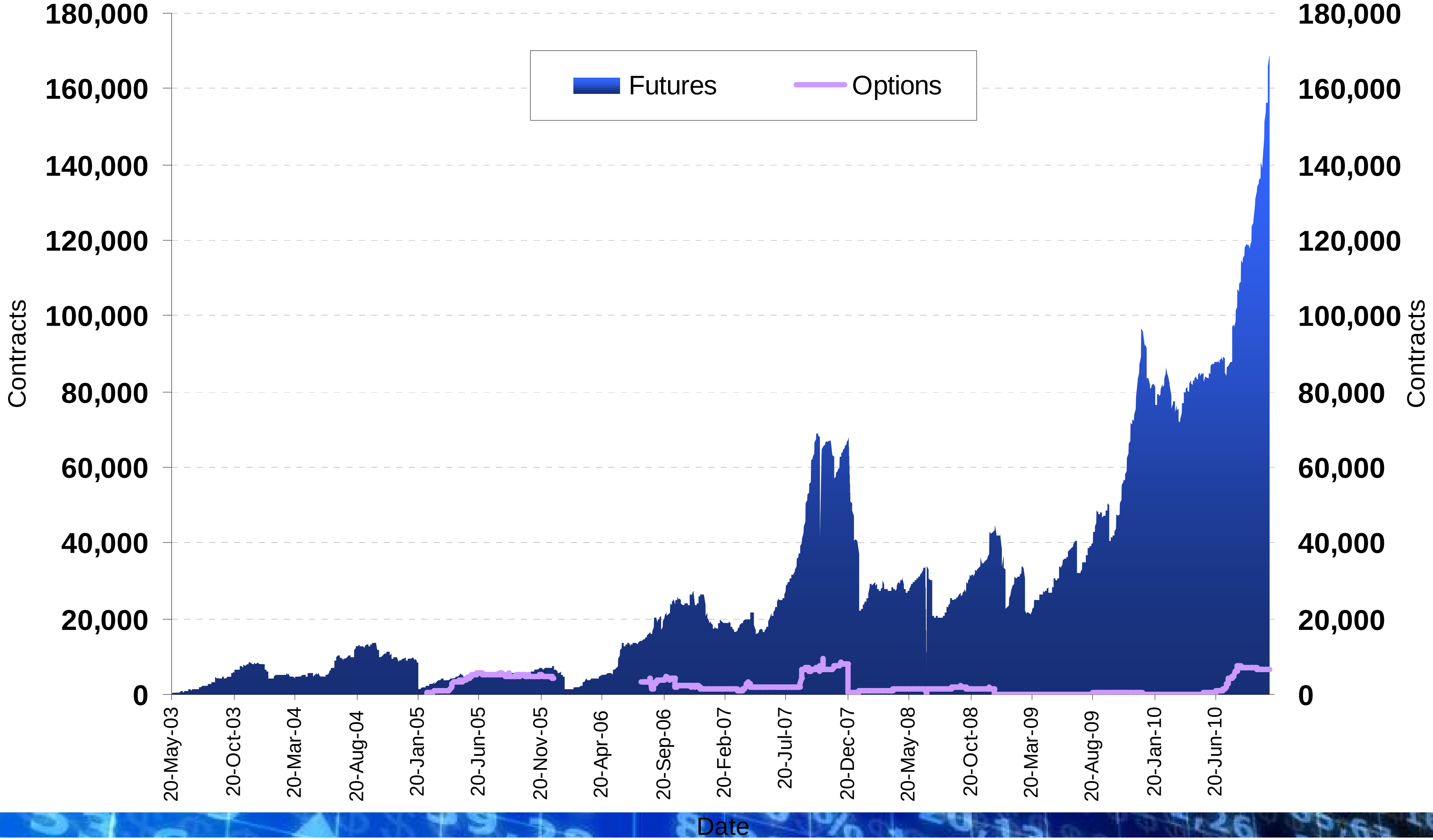
ASX Grain Futures & Options
Monthly Traded Volume
Inception to end of October 2010



ASX Grain Futures & Options

Open Interest

Inception to end of October 2010



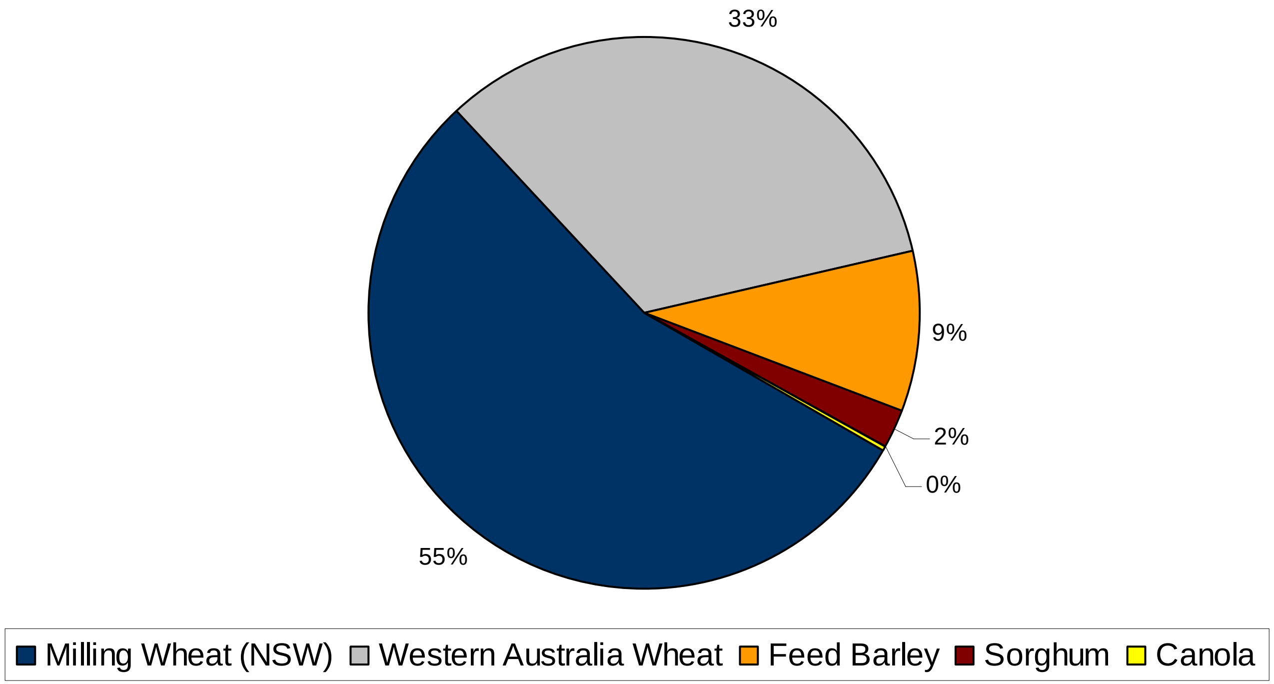
ASX Wheat Futures

- ASX has two wheat futures contracts.
- **Australian Milling Wheat (AWM)** is based in New South Wales on Australia's east coast and is influenced by domestic market activity, particularly during droughts. This influence was observed in 2005, 2006 and 2007.
- **Western Australia Wheat (WAW)** is based in the Western Australia port zone of Kwinana. WA consistently produces an exportable surplus of wheat and has a small domestic market relative to the east coast. It is expected that WAW will be highly correlated to global trade values for 10% protein wheat.
- While there is a correlation between Australian wheat prices and North American prices in seasons of good production, there have been, and will be, instances when the markets may perform quite differently. As a result, there is significant interest in trading the spread between WAW and AWM.

ASX Grain Futures & Options

Commodity Breakdown

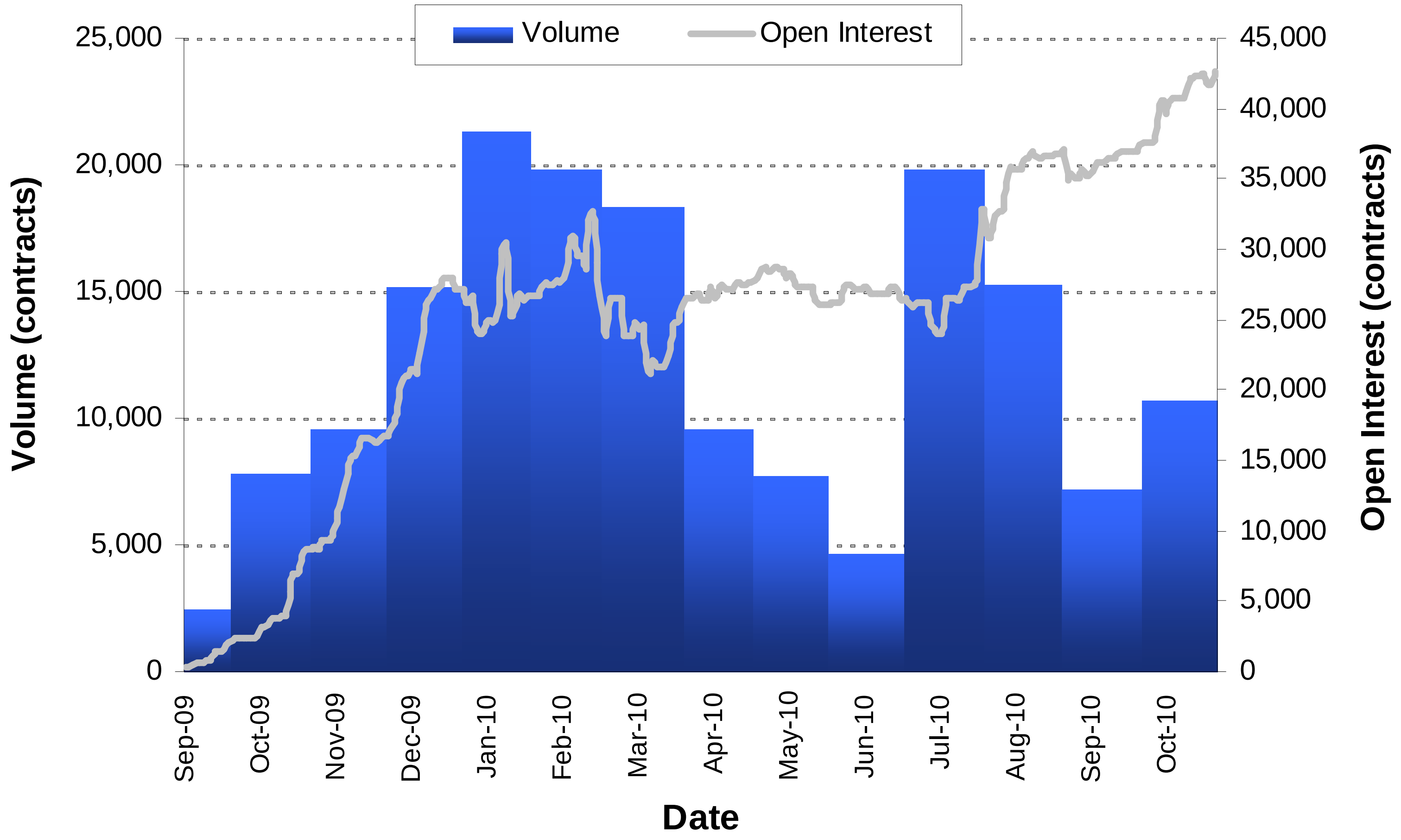
Since WAW listed in Sept 09 to end Sept 10



ASX Western Australia Wheat (WAW) Futures

Monthly Volume & Open Interest

Inception to end of October 2010



Since listing in September 2009, WAW has achieved the following statistics;

- Traded: 169,290 contracts ~ 3.38 million tonnes.
- Delivered: 18,348 contracts ~ 366,960 tonnes.

East Coast - West Coast Fundamentals

Wheat	NSW	WA	Australia
5 Year Average to 2009/2010	5,021,000	**7,313,000**	18,523,000
Drought Year 2007/2008	1,750,000	5,800,000	12,660,000
2010/2011 ABARE forecast (Sept 14)	**9,875,000**	**6,063,000**	**25,099,000**
Domestic Demand	2 million tonnes*	< 500,000 tonnes	
Shipping to Jakarta	12 – 14 days	7 – 8 days	
ASX Contract	**AWM**	**WAW**	

Source: ASX, ABARE and Harvest Gain (presentation Australian Grain Industry Conference 2009)

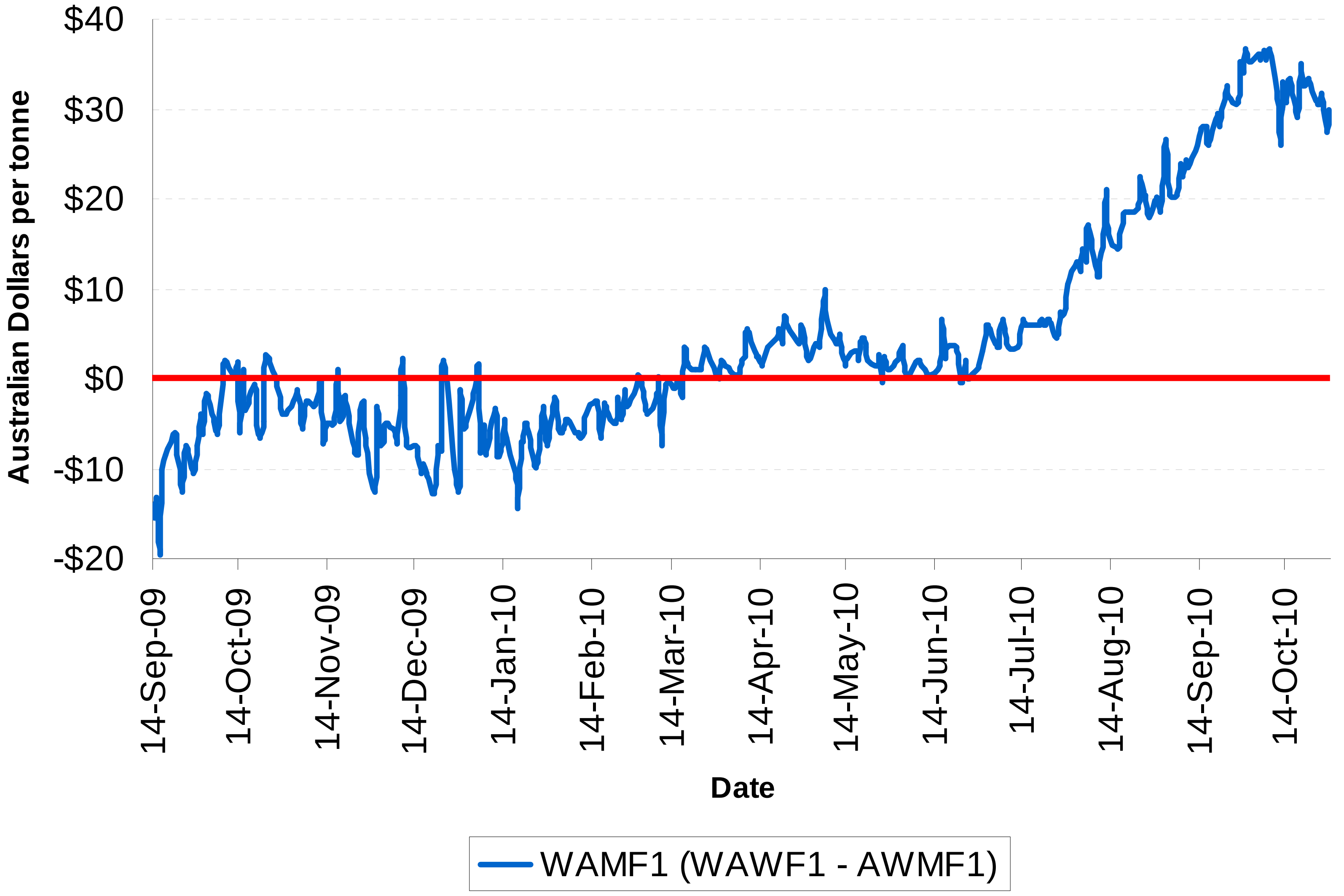
Unit: Metric Tonnes

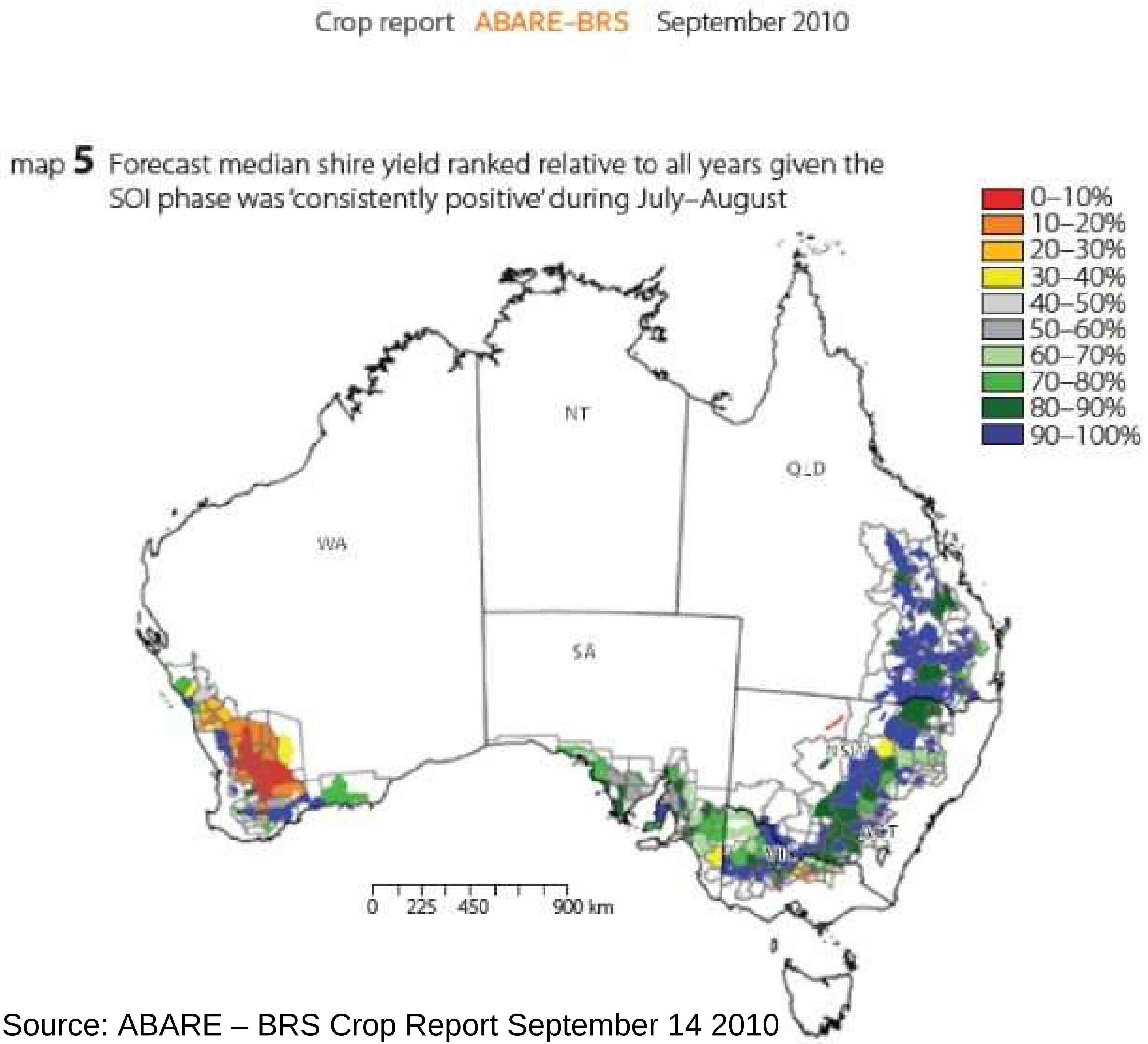
* Milling use only, not factoring in stockfeed use.

ASX Grain Futures

West Coast (WAW) versus East Coast (AWM)

Wheat Spread Jan 2011 Contract





Source: ABARE – BRS Crop Report September 14 2010

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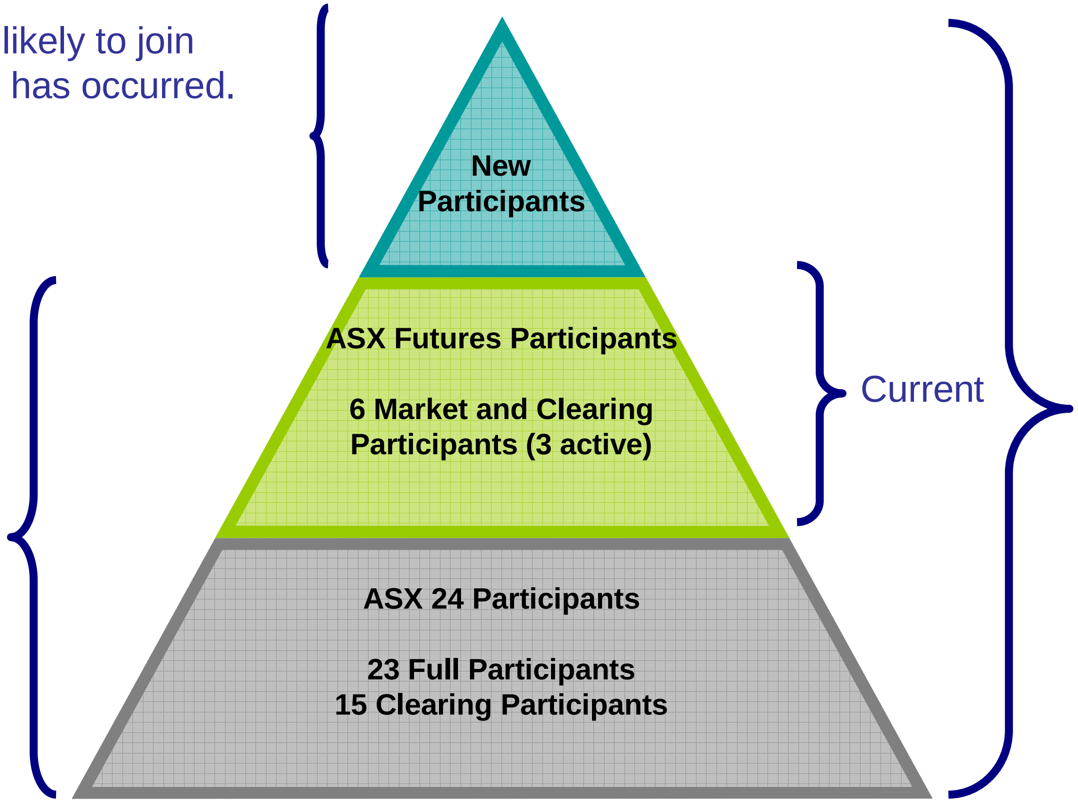
Increase participation

Increase direct participation from 6 to probable 16* (13 Clearing).

New participants more likely to join ASX 24 once transition has occurred.



Current

Potential
Post Transition

Existing ASX Participants (market and clearing) are a subset of the ASX 24 Participants (full and clearing).

Country & Exchange	Est.	Contract	Contract Size (t)	2006 Contract Volume*	2006 Tonnage Traded	2006 Underlying Physical (t)**	Multiple
United States of America							
Chicago Board of Trade	1848	Soft Red Winter Wheat	136	18,822,846	2,559,907,056	10,618,555	241
		Corn	127	58,557,281	7,436,774,687	298,600,000	25
Kansas City Board of Trade	1856	Hard Red Winter Wheat	136	5,278,647	717,895,992	18,563,155	39
Minneapolis Grain Exchange	1881	Hard Red Spring Wheat	136	1,653,702	224,903,472	11,767,976	19
Canada							
Winnipeg Commodity Exchange	1887	Canola	20	2,619,530	52,390,600	9,105,000	6
		Western Barley	20	195,024	3,900,480	10,000,000	0.39
		Feed Wheat	20	66,555	1,331,100	3,000,000	0.44
China							
DaLion Commodity Exchange	1993	Corn	10	135,290,072	1,352,900,720	139,360,000	10
		Soybeans #1 (+#2)	10	21,644,574	216,445,740	16,350,000	13
Zhengzhou Commodity Exchange	1990	Combined Wheat Contracts	10	29,408,580	294,085,800	97,450,000	3
South Africa							
South African Futures Exchange	1996	White Maize	100	1,270,382	127,038,200	9,376,000	14
		Yellow Maize	100	186,385	18,638,500	2,344,000	8
		Wheat	50	334,584	16,729,200	2,000,000	8
		Sunflower	50	79,121	3,956,050	520,000	8
		Soybeans	25	42,928	1,073,200	424,000	3
Australia							
ASX Ltd	2003	Milling Wheat (Jan 07)	20	46,721	934,420	2,100,000	0.44
		Feed Barley (Jan 07)	20	27,254	545,080	1,060,000	0.51
		Sorghum (March & May 07)	20	17,834	356,680	996,000	0.36

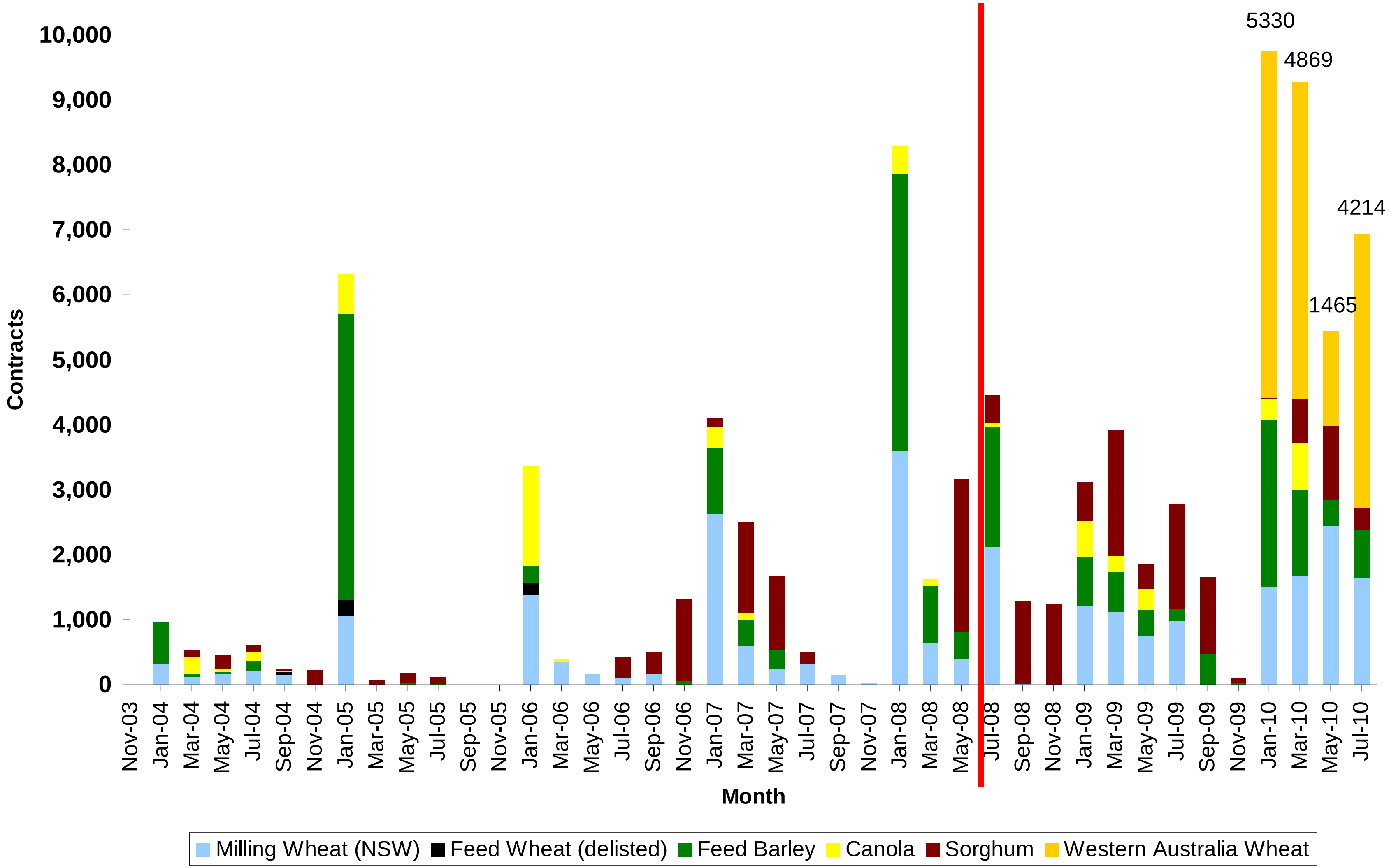
Deliverable contracts

The Delivery Period

Commences: second business day of the contract month

Concludes: third Thursday of the contract month

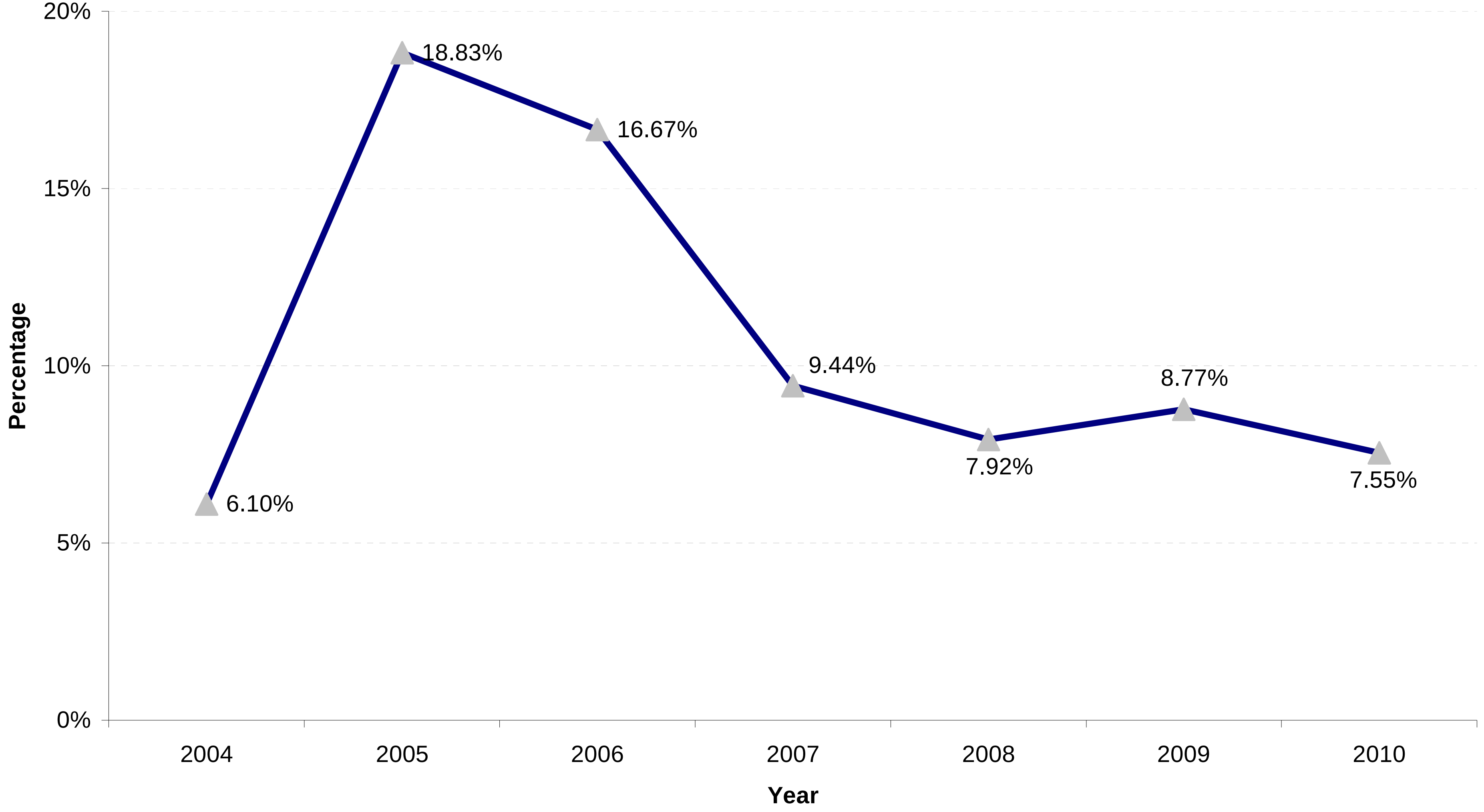
ASX Grain Futures
Deliveries
As at end of August 2010



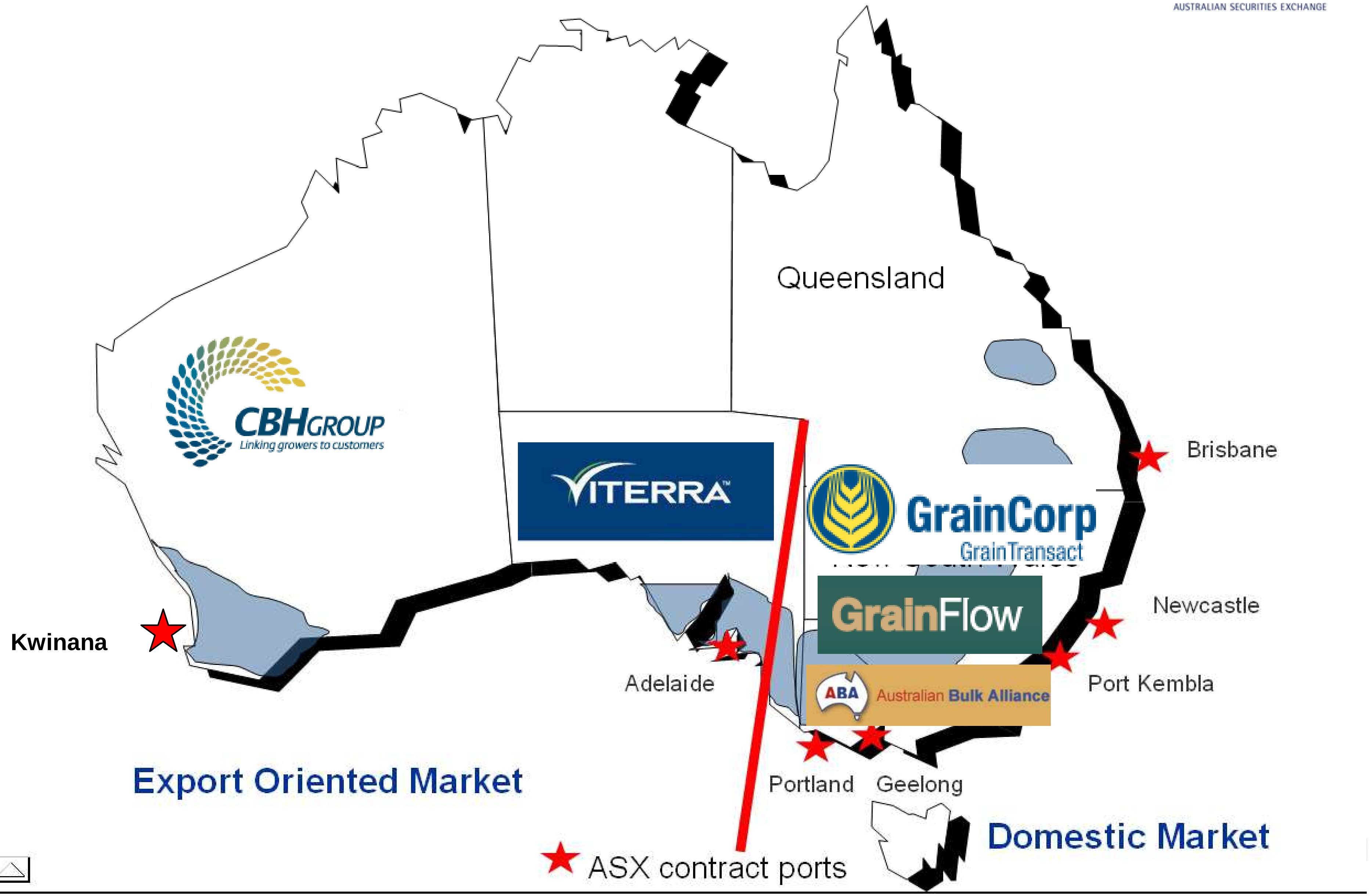
ASX Grain Futures Deliveries

Percentage of traded Market Volume

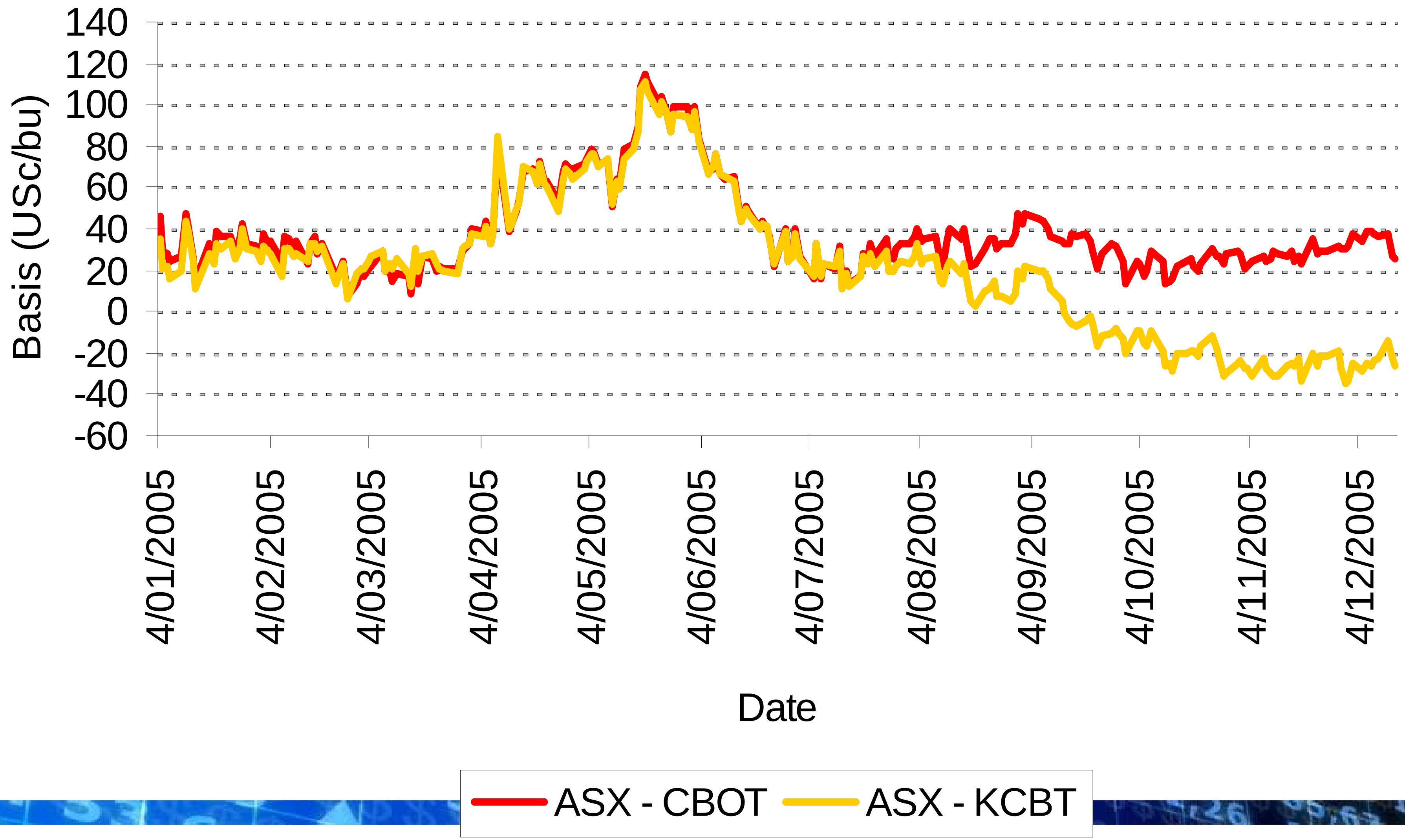
As at end of January 2010



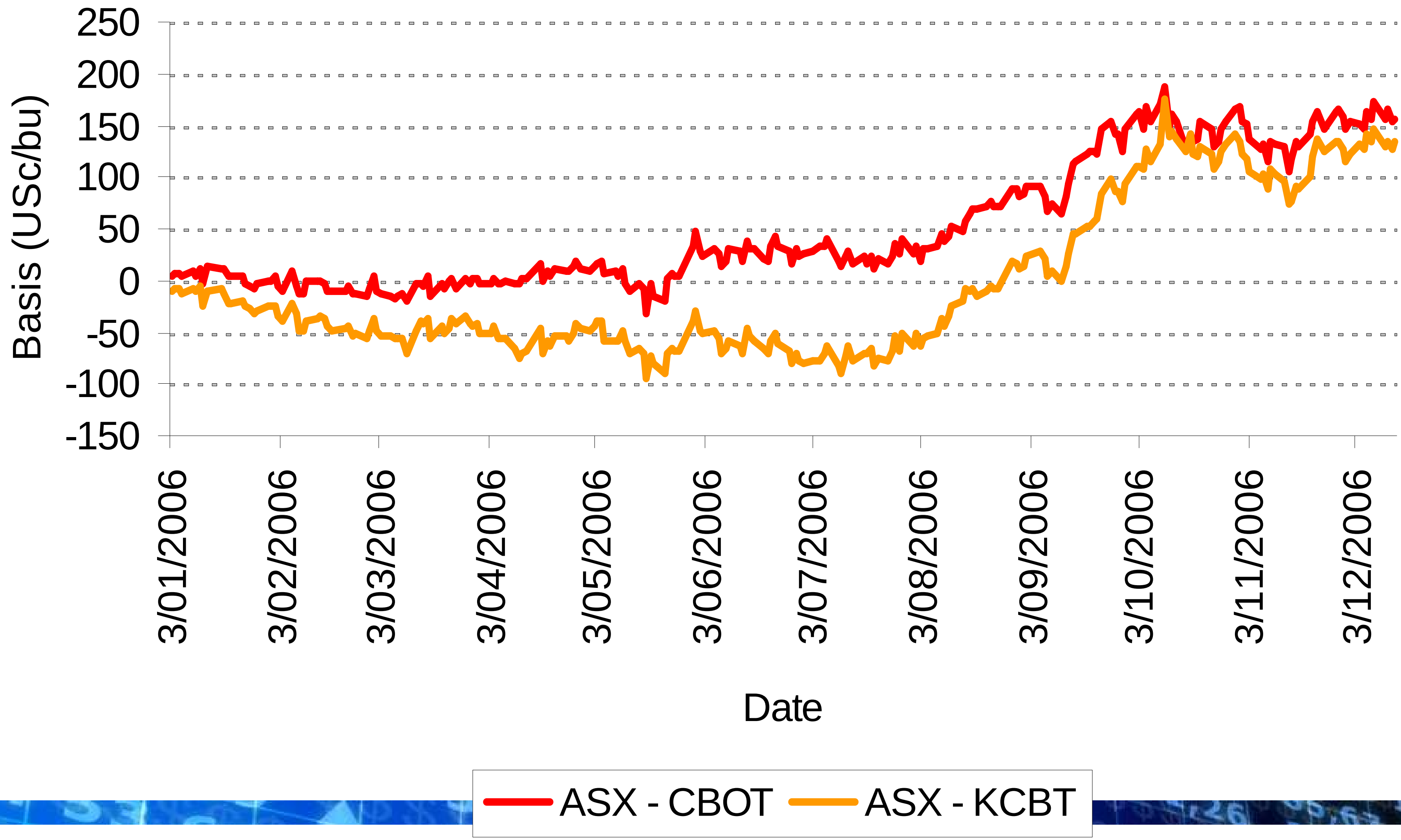
Approved Bulk Handlers



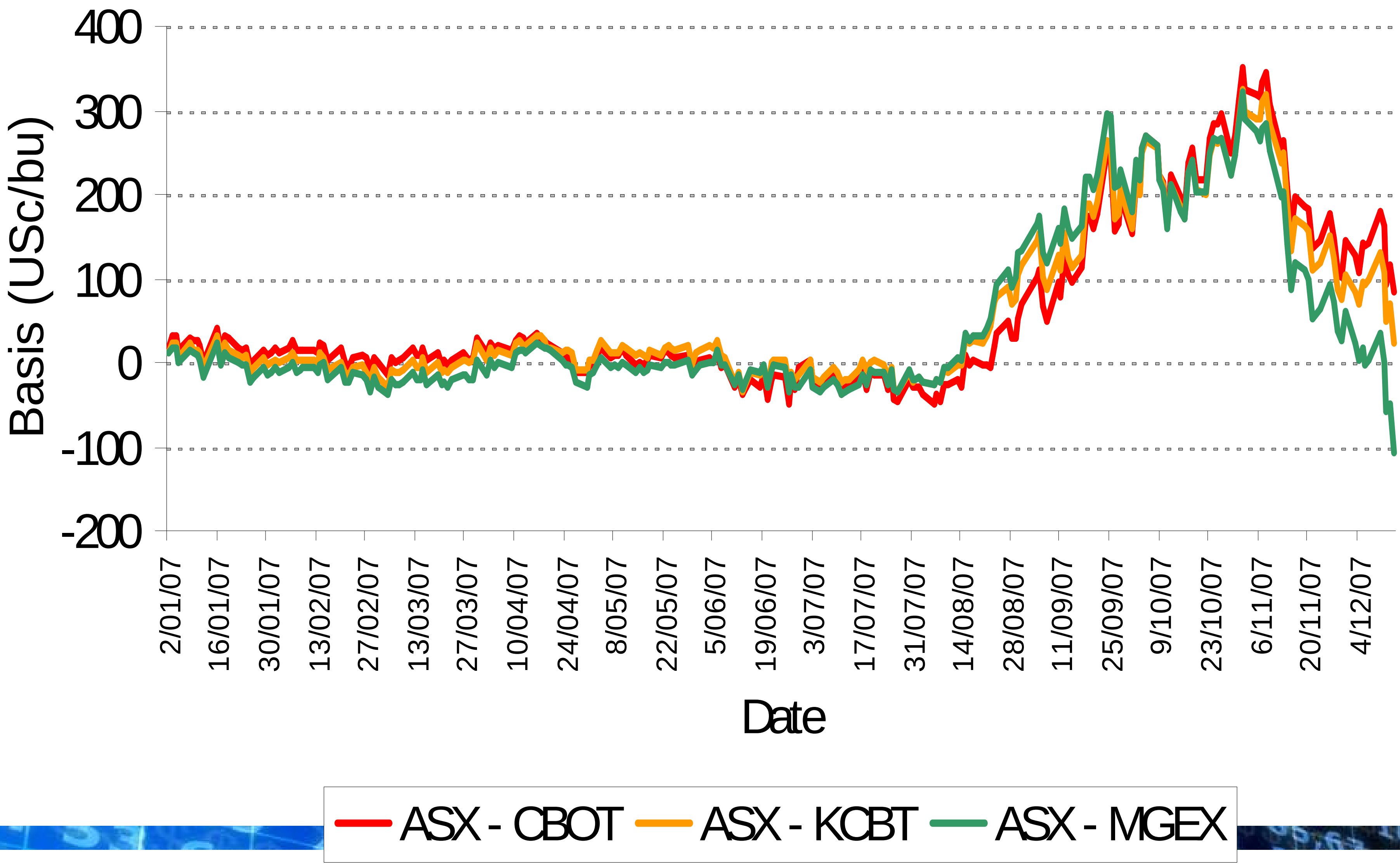
Wheat Basis Jan 2006 Contract
ASX (Jan 06) versus North American Markets (Dec 05)



Wheat Basis Jan 2007 Contract
ASX (Jan 07) versus North American Markets (Dec 06)



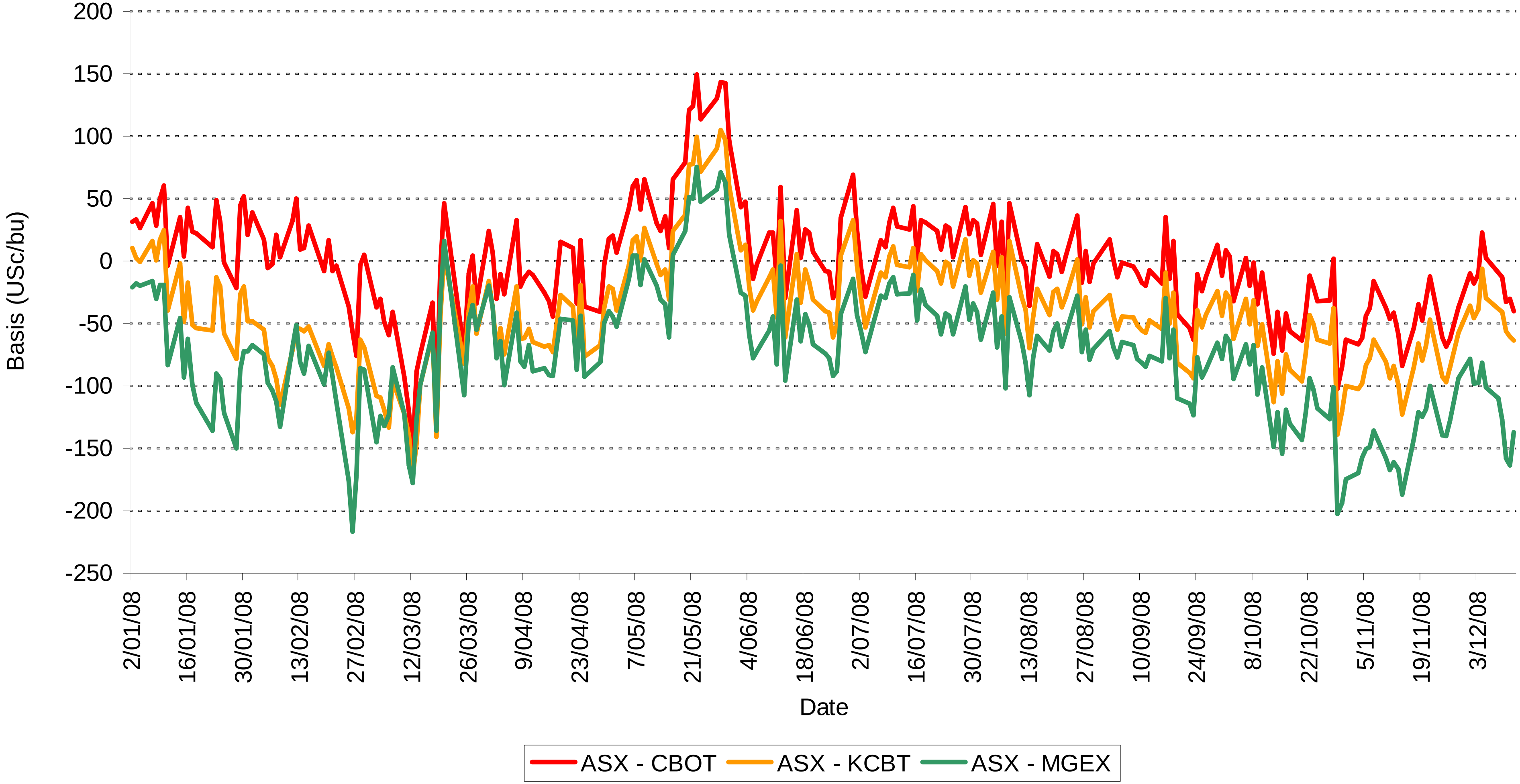
Wheat Basis Jan 2008 Contract
ASX (Jan 08) versus North American Markets (Dec 07)



Wheat Basis January 2009 Contract

U.S. cents per bushel

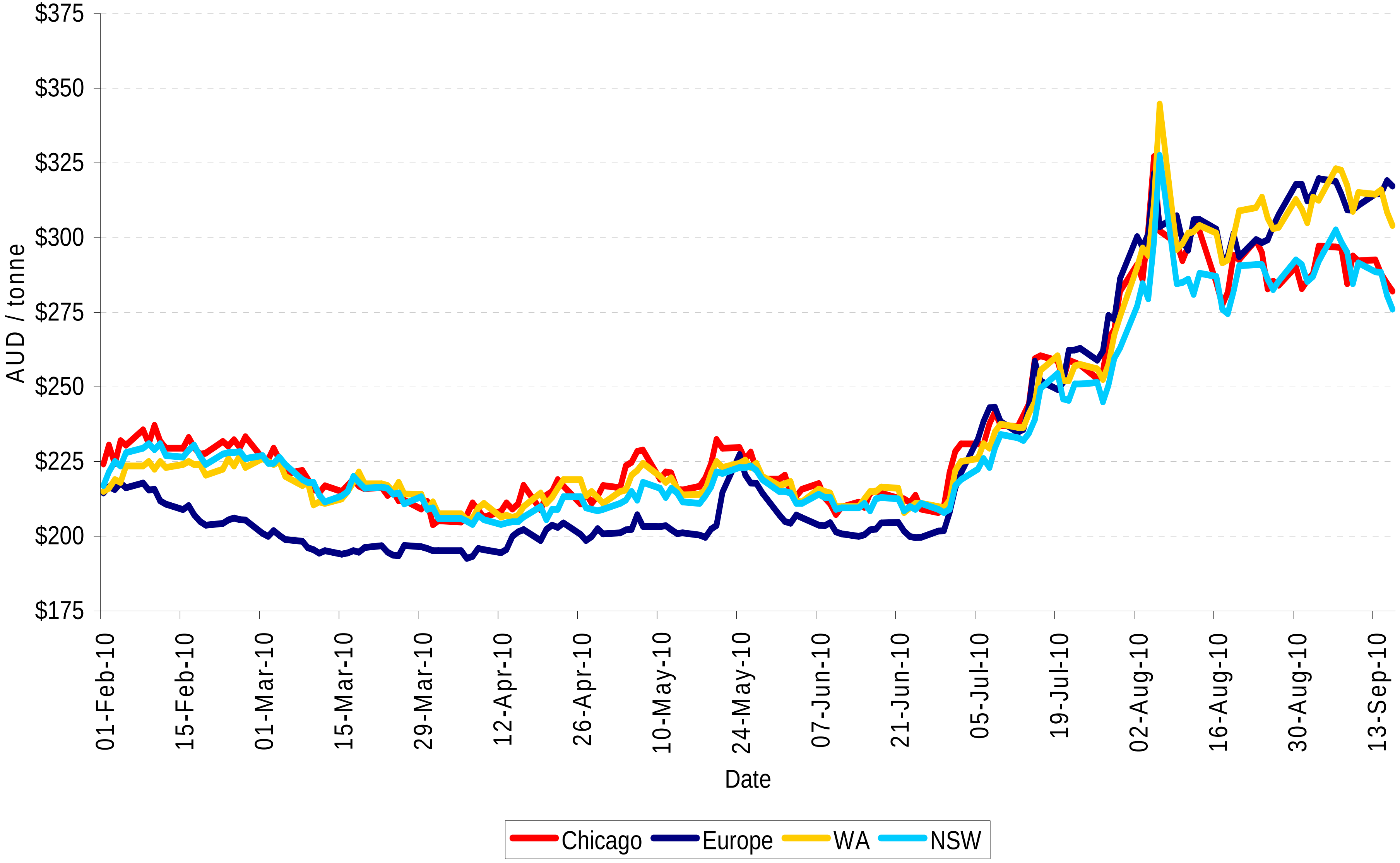
ASX (Jan 09) versus North American Markets (Dec 08)



Wheat Prices 2010

ASX (WAW & AWM) compared with Chicago and European Markets

(Australian Dollars per tonne)



Western Australia Wheat

The following conditions must be met to deliver Western Australia Wheat:

• The location must be in **Western Australia** and delivered within the Co-operative Bulk Handling (**CBH**) network.

• The delivered wheat must be **current season**.

• The CBH Nomination Sites at which transfer of virtual entitlement is possible are Kwinana and Metro Grain Centre (MGC).

• The delivered milling wheat must **meet or exceed** minimum Grain Trade Australia (GTA) Wheat Standard **CSG 104 (APW2) 10% protein**. For example: APW2, H1, and H2 are deliverable grades. Protein payment capped at 11.4%* based on the **average quality data** applicable for the Destination Sites **Kwinana or MGC**.

• The GTA Location Differential applied, if applicable, is basis Kwinana.

Details	Value	Explanation
Number of Contracts	50	One contract = 20 tonnes (1,000 tonnes)
Value	$244,220	=Gross Price * Tonnage
GST	$24,422	10% of value
Total Value	$268,642	GST Inclusive
S&H Company	CBH	Name of Accredited Bulk Handler
Location	Kwinana Terminal	Destination Site
Protein	10.50	As per S&H Stack Average
Shrinkage	0.5%	As per S&H Agreement
Futures Price	$230.00	As settled on ASX on day of tender
less Location Differential	-$0.00	GTA Location Differential
Up Country Delivered	$230.00	= Futures Price – Location Differential
add or subtract Protein Adjustment	+$3.00	$0.60 premium or discount for every .1 above or below 10% (capped at 11.4%)
plus Receival Fee	+$10.00	As per S&H Agreement
Up Country Price, Free in Store	$243.00	= Up Country Delivered + Protein + Receival Fee
Gross Shrunk Price, Free in Store	$244.22	= Up Country FIS / 0.995

ASX
23 million tonnes traded and growing*
*Tonnage traded as at August 2010
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What are Grain Futures & Options?
ASX Grain Futures and Options facilitate price discovery in track markets for Australian wheat, feed barley, sorghum and canola. Futures contracts are exchange-traded forward contracts that are standardised, centrally cleared and deliverable.
Why trade Grain Futures & Options?
ASX Grain Futures and Options can provide investors with a way to manage price risk, payment security, improved hedge correlation, reduced foreign exchange risk and reduced production risk.
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