



## ADVISORY AGREEMENT CONFIDENTIAL

This Agreement is made on \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_

Between CloudBreak Advisory Pty Ltd

AND \_\_\_\_\_ Trading as \_\_\_\_\_

OF \_\_\_\_\_

### CLIENT DETAILS

| Personal Information |                      |
|----------------------|----------------------|
| Full Name:           | Full Name:           |
| Date of Birth:       | Date of Birth:       |
| Contact Information  |                      |
| Telephone:           | Facsimile:           |
| Mobile:              | Email:               |
| Postal Address:      |                      |
| Business Information |                      |
| Trading Name:        | ABN:                 |
| NGR(s):              | Business Activities: |

### APPOINTMENTS

I / We hereby appoint CloudBreak Advisory Pty Ltd to provide Grain Marketing Advice from the date of this Agreement.

### ADVISORY SERVICE

#### CLOUDBREAK ADVISORY RESPONSIBILITIES

- Provide personal price risk management advice & hedge strategies, which may include all the appropriate products (eg Futures, Options, Currency and Cash). Advice will be documented via a "Statement of Advice".
- Marketing/hedge advice will be documented and updated as season progresses.
- Monitor and regularly report on your hedge position.
- Maintain constant records of the client's production to make sure positions are kept in line with hedging policies and expected production.
- Ongoing & regular communication with CloudBreak Advisor
- Subscription to the CloudBreak Market Outlook and additional "Market Alerts" as warranted.
- Educate the client in the correct use of derivatives and the cash market to obtain desired price levels.
- Keep up to date with new price risk management products in the market place.
- Obtain information from the client about production variability, gross margin levels and/or desired price targets.

## CLIENT RESPONSIBILITIES

The Client agrees to assist CloudBreak Advisory in facilitating a suitable program by provision of the following details. This is on strictly confidential basis:

- Information and physical sales of commodity as they are transacted.
- Details of futures and options positions taken outside CloudBreak's advice.
- An ongoing update on expected crop yields.
- Clear decisions as to the action they wish to take.
- The client is responsible for placing any derivative orders or the cost of brokerage on these products.
- The client should bring to the attention to the Advisor a lack of understanding of any strategy or piece of advice.
- Clients will treat all of CloudBreak's advice and publications as confidential.

## CLouDBREAK HEDGE POLICY

The CloudBreak Advisory service is directed towards offering pricing strategies to clients in order to help secure the desired return on their investment in their business.

### HEDGE DEFINITION

The aim of the hedge is to lock in an approximate future or forward price in order to reduce price risk. A person who is in a position to be a genuine hedger is a producer or end user of any physical commodity that satisfies the requirements of being a tradeable commodity.

A sell hedge is the sale of a derivative or forward product as a temporary substitute for an anticipated future sale of your grain which protects against the falling market.

A buy hedge is a temporary substitute of a derivative product for an anticipated forward purchase of grain (for end user/grain exporter to protect against rising prices)

### ADVISORY OBJECTIVES

The Advisory service objective is to achieve desired price levels based on safe anticipated production levels. The hedging of grain prices is to be carried out within the scope of the hedge definition.

The hedge strategy is to be established with the Client after taking into consideration their risk profile, cost of production, production certainty, cash flow situation, individual profit targets and the evaluation of long term price trends.

Established price and production levels are to be reviewed at various times throughout the period of the hedge. The percentage of Grain to be hedged will always be based on very conservative production estimates.

### SAFE ANTICIPATED PRODUCTION

All Managed clients are deemed to have an exposure on the safe anticipated production from their business. The client must be confident of the safe anticipated production being achieved before taking a hedge position either in futures, options, OTC or physical forward contracts. All hedge positions are to correspond and not exceed conservative anticipated production levels. If this occurs then the excess position is no longer a hedge it is a speculative position.

### PROPERTIES OF A GOOD HEDGE

- Economic validity – there must be economic justification and analysis to identify appropriate hedge instruments;
- Understanding of Basis Risk and its predicted boundaries - before a forward sale is undertaken the basis implications attached to the specific hedge will be discussed with the client;
- Hedging is not a "set and forget" strategy - all hedges must be monitored closely on a regular basis;
- Consider clients':
  - Financial needs & objectives;
  - Attitude to risk;
  - Cashflow situation;
  - Production risk - strong consideration of production risk and the need to minimise the risk of "washouts";

- Hedger type - how aggressively will the hedge be managed - passive or active?
- What are the production costs (benchmark price levels)?
- What are prevailing price trends?

**SPECULATION**

Speculators are, where a position is undertaken where it does not have the intention of protecting underlying physical positions. It is established with the desire to make a profit.

CloudBreak Advisory does not give personal advice on speculative derivative products.

**MARKET INFORMATION**

CloudBreak Advisory endeavours to have the highest quality research however it does not guarantee the accuracy of the information. The research material supplied is believed to be accurate as far as possible, but no warranty is given as to the accuracy or reliability, and no responsibility is taken for any error or omissions or negligence by CloudBreak Advisory, its subsidiaries and affiliates, its representatives, officers, employees or agents.

**RISK DISCLOSURE STATEMENT**

Cloud Break Advisory will explain to you any significant risks of hedging using derivative and foreign exchange contracts that we recommend to you.

Generally speaking for grain producers, hedging involves the sale or purchase of a derivative to reduce or offset the risk of a position in the underlying grain market. A hedger using products such as swaps or futures, gives up the potential to profit from favourable price change in the position being hedged in order to minimise the risk of the loss from an adverse price change. Although hedging mitigates risk it does not eliminate all risk. For example, the relationship between the price of the Wheat futures contract and the price of the physical wheat can vary somewhat. Furthermore, the expiration or liquidation of the derivative may not coincide with the exact time the hedger sells the physical grain. Therefore hedging may not be perfect protection against price risk.

Also note that grain prices are linked to international price derivatives and foreign exchange fluctuations. Grain prices are susceptible to variations in supply and demand as well as other factors that influence a market driven price. This often results in significant price volatility, and price movements (both positive and negative). The majority of commodities in the international market are traded in a currency other than the Australian dollar, predominately US dollars. This means that prices are exposed to both positive and negative associated currency volatility.

In reading and signing the Advisory Management Agreement, you give the undertaking that you have been made aware of the risks associated with entering into derivative and/or foreign exchange products. If you cannot understand any component of the Risk Disclosure Statement, you should ask us to explain them to you.

**ADVISORY FEES**

Gold Advisory fees as published for current Season (50% Charged July, 50% charged January).

**AGREEMENT EXECUTION**

Execution of Agreement.

By Executing this Management Agreement the client understands and accepts all terms, conditions and objectives of this Agreement.

Agreement Date: \_\_\_\_\_

|  |   |
|--|---|
| <p>Signed for and behalf of <b>Cloud Break Advisory Pty Ltd</b></p>                      | <p>Signed for and behalf of <b>Client</b></p>                     |
| <p><b>Sign:</b><br/> <b>Print Name:</b> Ed Scamps<br/>         (Director/ Secretary)</p> | <p><b>Sign:</b><br/> <b>Print Name:</b><br/> <b>Capacity:</b></p> |