

# CBS

Commodity Broking Services Pty Ltd

Warrants

PRODUCT DISCLOSURE STATEMENT (“PDS”)

Dated 3<sup>rd</sup> November 2008

Commodity Broking Services Pty Ltd

ABN 32 110 128 286

The information in this PDS does not take into account your personal objectives, financial situation and needs. Before trading in the products referred to in this PDS, you should read this PDS fully and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation and needs as well as considering the risks associated with dealing in those products. Investors should read the entire PDS and seek their own independent financial, accounting and taxation advice before making any investment decision.

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## 1. Summary Information

This is a Product Disclosure Statement (“PDS”), being for the purpose of trading warrants with Commodity Broking Services Pty Ltd (“CBS”). Nothing in this PDS is, or may be relied upon as, advice, personal opinion or recommendation. It does not make any guarantee, representation or promise as to the likely financial performance of the Warrants, the Securities or the business or financial affairs of CBS.

No person is authorised by CBS to give any information to investors or make any representation not contained in this PDS.

## 2. Important Information

### Contact Details of CBS

Commodity Broking Services Pty Ltd

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Email: [info@commoditybroking.com.au](mailto:info@commoditybroking.com.au)

Australian Financial Services Licence (“AFSL”)

CBS is a AFSL holder Licence Number 280372.

### Name of Issuer

The Issuer of the Warrant is Commodity Broking Services Pty Limited, of Level 14 309 Kent Street, Sydney NSW 2000 Australia.  
ABN 32 110 128 286, AFSL 280372, FICS 4312.

CBS enters into any Warrant transaction as both a broker and market maker. CBS will regularly state the price at which it is prepared to deal warrants with its clients, thus being known as a ‘market maker’, however the Issuer of CBS Warrants is Commodity Broking Services Pty Limited (“CBS”).

## 2.4 Definitions

In this PDS unless the context otherwise requires:

“Absolute Value” means, in relation to CBS Warrants, the value of the warrant at its Expiry Date when the warrant ceases to exist. This is where the warrant’s value is purely based on its relationship to the Underlying Market relative to the Strike Price.

“American Style” means, in relation to the exercise style of the Warrant, a Warrant which can be exercised between 9.00am and the Closing Time on any Business Day from the date of issue up to and including the Expiry Date.

“ASIC” means the Australian Securities and Investments Commission.

“Business Day” is the normal Monday to Friday, inclusive, trading day.

“Change” means, in respect to the Terms, any modifications, variation, alteration or deletion of, or addition to, the Terms.

“Closing Time” means 6.00pm Eastern Standard Time Australia.

“Corporations Act” means the Corporations Act 2001 (Cth) as amended from time to time.

“Delivery” means, with respect to an Underlying Parcel, to accept the physical item that the futures contract is based upon. CBS Warrants are non-deliverable, which means they are financially settled. NO physical delivery is possible in this instance.

“Derivative” means an arrangement as defined in section 761D of the Corporations Act and, for the purpose of this PDS, is limited to derivatives which are futures contracts or futures options contracts as defined on the Corporations Act prior to the commencement of the Financial Services Reform Act.

“European Style” means, in relation to the exercise style of the Warrant, a Warrant which can only be exercised between 9.00am and the closing Time on the Expiry Date.

“Exercise Period” means:

- (a) for an American Style Warrant, the period from 9.00am to the Closing Time on any Business Day from the date of issue of the Warrant up to and including the Expiry Date; and
- (b) for a European Style Warrant, the period from 9.00am to the Closing Time on the Expiry Date.

“Exercise Price” see “Strike Price”.

“Expiry Date” means the date that the warrant expires (or terminates). This will be 5pm Sydney Time on the specified Date each warrant is assigned.

“Holder” means, in relation to a warrant, is the person/client whom has purchased the warrant from CBS.

“Issuer” means Commodity Broking Services Pty Limited (ABN 32 110 128 286).

“Long/Bull Warrant” gives meaning to the direction the purchase of a warrant has, ie. a “Long Warrant” will have maximum performance with a rising Underlying Market. (See also “Short Warrant”).

“Office” means the principal office of CBS in Sydney or any other office of CBS of which CBS has given notice to the Holder.

“PDS” or “Product Disclosure Statement” means the offer document issued in connection with the offer of warrants prepared and sold by CBS.

“Premium” means, in relation to each warrant, the amount paid for subscription (purchase) of that warrant.

“Short/Bear Warrant” gives meaning to the direction the purchase of a warrant has, ie. a “Short Warrant” will have maximum performance with a falling Underlying Market. (See also “Long Warrant”).

“Strike Price” means the designated level whereby the CBS Warrant has absolute value in relation to the underlying market. At the instant the price of the underlying market reaches the strike price the warrant is termed to be “at-the-money”.

“Termination Date” see “Expiry Date”.

“Time Value” means the dollar value assigned to a CBS Warrant using option pricing formula, which is at its highest at the Trade Date and decays until expiry.

“Trade Date” means, in relation to CBS Warrants, the date at which a warrant is sold by CBS, and bought by a client (the holder).

“Underlying Market” means, in relation to each warrant, the kind of commodity, financial instrument or security that an CBS Warrant is based on. If not advertised by CBS the value of the Underlying Market will be readily available from financial press and quote services.

“Warrant” means, in relation to CBS Warrants, a derivative product that derived (calculated/structured) from an Underlying Market.

## 2.5 General

Unless the context otherwise requires, in this PDS:

- a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision;
- b) the singular includes the plural and vice versa;
- c) a reference to an individual or person includes a corporation partnership, joint venture association, authority, trust, government and government authority and vice versa;
- d) a reference to a gender includes all genders;
- e) a reference to a Section is to a Section of these Terms or this PDS;
- f) a reference to any agreement or document (including these Terms) is to that agreement or document (and if applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- g) a reference to “dollars”, “cents” “A\$” and “\$” is a reference to Australian Currency;
- h) if an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- i) a reference to a date or time is to that date or time in Sydney;
- j) expressions appearing in these Terms which are not otherwise defined in the Terms which are defined in the Corporations Act have the meaning given to them in the Corporations Act.
- k) headings are for convenience only and do not affect interpretation.

## 2.6 Jurisdiction

This PDS is not an offer or invitation in relation to Warrants in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by the laws of places where it is distributed and therefore persons into whose possession this PDS comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws. Warrants have not been, and will not be, registered under Securities Act 1933 (United States of America) and may not be offered or sold in the United States of America or to a citizen or resident of, or entity created under the laws of, the United States of America or to any other person or entity within the definition of the term “US Person” under Regulation S promulgated under the Securities Act.

## 2.7 Taxation Considerations

Trading in CBS Warrants has the potential for generating substantial profits as well as the potential for generating substantial losses. The tax implications if such profits or losses may be significant depending on the personal circumstances of the

individual client. CBS does not provide tax advice and the impact any profits or losses generated from trading may have on your overall tax position.

CBS sincerely recommends that each client obtain their own independent taxation advice in relation to the impact of CBS Warrant transactions on your particular financial situation.

## 2.8 Status of PDS

This PDS is dated 1 August 2008 and has been prepared by CBS. This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC. ASIC will be notified that this PDS is in use in accordance with Section 1015D of the Corporations Act. ASIC take no responsibility for the contents of this PDS or for the Warrants.

## 2.9 Cooling Off Arrangements

There are no cooling-off arrangements for trading warrants with CBS. This means that when you enter into a transaction with CBS you do not have a right to return the warrant. Hence you also do not have the right to request CBS to repay the money you have paid to acquire the warrant. Should you change your mind after entering into a warrant deal with CBS you should close out your position by speaking with your advisor.

## 3. Warrants at a Glance

What are Warrants ?

A Warrant is termed “a derivative”, which is a financial instrument whose value, or price, is derived from an underlying market. Examples of underlying assets are; gold, silver, crude oil, live cattle, although they may be commodities, financials, securities, Indices etc. Basically, any instrument that is ‘tradeable’. This underlying asset may also be a derivative itself e.g. a futures contract. Therefore a warrant is derived from a derivative of the original asset class, meaning a warrant is derived from a futures contract or an option on a futures contract. It is in effect a synthetic instrument completely constructed to obtain value from a financial market.

Warrants give the Holder the right to profit from moves in the underlying market.

A Long Warrant enables the Holder to profit from an underlying market that is going up. Conversely, a Short Warrant enables the Holder to profit from a move downward of the Underlying Market.

Warrants may be many styles (eg American, European, Asian, Bermudan, etc) however CBS trades in only the American style whereby the warrants may be exercised on any Business Day on or before the Expiry Date. This allows clients to trade warrants on a very short time frame, if so desired, to capture profitable positions that are common in derivative trading, eg. Purchasing a four month Long Gold Warrant and selling it after only two weeks as the price of that warrant has doubled in value due to an extraordinary rise in the Gold price.

#### 4. Features of CBS Warrants

It must be highlighted from the outset that some of CBS Warrants are unlike any of its competitors warrants in that some of CBS's Warrants are priced "live" if needed. Most, other warrant providers either have their warrants pre priced in a subscription type scenario.

With markets nowadays moving at an astonishingly fast pace with increased volatility CBS does its best to offer a business model that offers warrant prices that are current and instantaneous. This allows clients to either enter, or exit, a warrant trade in a matter of minutes rather than days (depending on the market), which aids in the trading methodology of clients who can manage their positions in a much more flexible means. Stop profits, or losses, (orders from clients that capture a certain predetermined profit, or loss, level) are hence able to be performed. As long as the underlying commodity market is open.

Additionally, CBS has a flexible trading approach and methodology that they are able to price/structure almost any warrant that a client may desire. CBS is not restricted to a set few commodities in a foreign currency. If CBS is able to access a liquid market any where in the world and hence price/structure a warrant CBS would be willing to offer to trade with clients. Obviously CBS is restricted to the liquidity of certain markets and times of trading, however CBS endeavours to create as many probable profitable trading opportunities for their clients as humanly physically possible.

#### 5. Benefits of Trading CBS Warrants

There are many benefits associated with investing in Warrants, including (but not limited to);

- a) **Limitation of Loss.** The maximum loss a person suffers with Warrants is ONLY the initial amount paid for the Warrant. There is NO possibility of the Holder losing more than their initial investment in the purchase of a CBS Trading Warrant. There are no margin calls or the possibility of losing extra funds whilst trading Warrants, unlike CFDs, Futures, Options and other derivatives. Additionally, a client is unable to pre-sell a CBS Warrant, and is consequentially unable to be liable for losses incurred when selling premium, as happens when selling options. A CBS Warrant must be bought and then closed at a later date.
- b) **Leverage or Gearing.** Leveraging or Gearing is the potential to make profits exceeding the outlay required to purchase the Warrants in the first place. Please read a) above regarding further losses.
- c) **Protecting your Portfolio.** Short Warrants allow an investor to lock-in a price that will profit from a downward move in the underlying market. This is called Hedging. Hedging reduces the risk of a current holding in an underlying market. The Hedging of an existing equity portfolio is the most common form of Hedging, whereby the client will purchase Short Index Warrants. When the underlying

share market rises the client's overall portfolio increases in value, while they will lose the amount they spent on a warrant. However if the underlying market drops dramatically and the overall portfolio loses value, the warrant's price will increase. Because the leverage involved in trading warrants magnifies the profits of such a move the warrant will return a much greater proportion of funds than is outlaid and thus offset some of the lost value in the underlying equity portfolio. This is a common trading strategy amongst fund managers, CTA's and professional traders.

- d) Speculation. Unlike buying the actual commodity, security, currency etc, where the investor expects the price to rise, Warrants allow investors to speculate on whether the underlying asset price will increase or decrease in value.

Accordingly, an investment in CBS Warrants may suit you if you;

- a) accept that leverage enhances your returns.
- b) have a particular view that an underlying market will increase or decrease in value over a particular time frame;
- c) are looking to invest for the short term.
- d) are looking for an investment vehicle that is designed for those looking for performance.

## 6. Risk Factors

Warrants are speculative and involve a degree of risk, including the risk of losing the entire initial purchase price amount.

### 6.1 Introduction

This outline of risks does not purport to disclose all of the risks or other relevant considerations relating to an investment in warrants. Warrants are considered by CBS to be suitable only for those investors who understand the risks involved and are prepared to sustain a complete loss of the initial purchase price amount. CBS recommends that potential investors obtain independent financial advice before purchasing a CBS Warrant from CBS. In fact, CBS reserves the right to deny to sell a warrant to any client they deem unfit to be trading warrants.

It is impossible in a document of this type to take into account the investments objectives, financial situation and particular needs of each reader. Accordingly, nothing in this PDS should be construed as a recommendation by CBS or any associate of them, or any other person concerning investment in CBS Warrants. Readers should not rely on this PDS as the sole or principal basis for any investment decision in relation to CBS Warrants.

### 6.2 General Market Risk

An investment in CBS Warrants involves the risk that the Warrant may expire with significantly less value, or of no value at all. General movements in local and international markets, prevailing and anticipated economic conditions, investors sentiment and interest rate fluctuations could all (and do) effect the market price of CBS

Warrants. These risks are generally applicable to any investments, but are greater in the case of leveraged products such as Warrants.

### 6.3 Termination of Warrants before the Expiry Date

Any CBS Warrants can be 'closed out' or sold prior to the Expiry Date. As CBS only deals in American style warrants, it allows clients the flexibility to take advantage of movements in the underlying market and thus take advantage of a profitable situation and close out, realising a profit. Also, as CBS only trade warrants on a live basis, clients can trade on any date prior to the Expiry Date at any AEST business hour of the day.

### 6.4 Possible Illiquidity of Trading Market

A liquid market is generally one in which there is sufficient trading activity to satisfy both buyers and sellers. An illiquid market is generally one in which it is difficult to find bids and offers. Some commodity markets are extremely illiquid in the Australian time zone, and hence CBS reserves the right to postpone making a price for a warrant until a more liquid market develops, however CBS endeavours to make a price whenever it can.

### 6.5 Factors Affecting Warrant Value

The trading value of a Warrant is expected to be dependent upon factors as the Exercise Price, the price of the underlying market, the volatility and liquidity of both the underlying market and its derivative markets, the time remaining to Expiry Date, interest rates and other inter-related and complex factors and general risks applicable to financial markets.

### 6.6 Credit Risk

CBS Warrants are traded Over The Counter ("OTC") which means they are not traded via a regulated exchange. Hence they are a transaction solely between the client and CBS, which means all dealings, opening and closing positions, must be directly with CBS and no other entity. The obligations of CBS to make payments in respect of the CBS Warrants are unsecured obligations of CBS, which means that the client is subject to credit risk pertaining to CBS. If CBS were to become insolvent it is possible that a scenario may evolve that CBS would become unable to meet its financial obligations to clients. Investors must make do their own due diligence and make their own assessment of the ability of CBS to meet its obligations in respect to the above mentioned situation.

### 6.7 Delta Risk

Due to the nature and formula of derivatives, and warrants in general, the price of warrants do not always move in a one to one ratio with the underlying market price. Delta is the commonly used derivatives term used by financial markets types to describe the rate of change in the price of a warrant given the same rate of change in the underlying market. A 50% Delta represents that the price of a warrant will move approximately half of the price move of the underlying market.

Using a Long/Bull Warrant as an example (Short/Bear Warrants will simply be the reverse), Warrants that are at-the-money (meaning the exercise price is at or near the current underlying market price) have deltas that are close to 50%. Warrants that are in-

the-money (meaning the exercise price is below the current underlying market price) have deltas that are greater than 50% and thus move closer to the ratio of one to one with the underlying market price. Consequentially, a warrant that is out-the-money (meaning the exercise price is above the current underlying market price) has a delta that is less than 50% and moves at a much smaller ratio than one to one. The value of delta changes with changing underlying market prices and the passing of time.

In consideration of the above, it must be noted and understood that the most common and profitable warrant trading methodology is to buy a warrant that is out-the-money with a delta at approx. 25% and watch the underlying market move in the desired direction making the warrant become an at-the-money, then an in-the-money warrant with a delta finally of 75%. Warrants values have been known to increase exponentially when this scenario happens.

#### 6.8 Foreign Exchange Rate Risk

Some of the Warrants offered by CBS are denominated in currencies other than the Australian Dollar. The cost and value of such warrants are calculated in said currency and remain in that currency for the life of the Warrant. The initial valuation, ie. purchase price, and the closing price will be affected by the Foreign Exchange rate on those two days. Accordingly, the price of CBS's Warrants, and therefore the clients' profits, will be affected by the fluctuations in the said Foreign Exchange market on those days. However, CBS does not purport to make any profit out of its Foreign Exchange dealings when pricing/structuring Warrants, and as such will endeavour to use the tightest spreads available to CBS at all times.

It must be noted and fully understood here that CBS is under no obligation to furnish the client with said used Foreign Exchange Rate used in calculating the price of a CBS Warrant.

#### 6.9 Operational Risk

There is always some form of operational risk in the financial markets which may lead to delays in the execution and settlement of transactions. Telecommunication and computer networks and external events beyond CBS's control have been known to malfunction and cause problems in the normal day to day business operations. CBS reserves the right to postpone its pricing of a warrant until such time as telecommunication levels are restored to a normal operating level, however they will do their best to accommodate clients' demand.

#### 6.10 Regulatory Risk

Changes in taxation laws, governmental monetary, fiscal and regulatory policies may have an effect upon dealing warrants with CBS.

#### 6.11 Potential Conflict of Interest

CBS does not have any associations or relationships, be they business or otherwise, which might influence our ability to provide our regular warrant business.

Please note that trading in CBS Warrants involves dealing in the financial markets that are highly volatile and unpredictable. CBS strongly recommends that investors do not risk any more capital than they can comfortably afford to lose. If losing your entire amount invested in CBS Warrants will affect your standard of living, CBS reserves the right to refuse to deal with such a client.

Also it must be noted and understood that it is not the responsibility of CBS to keep clients abreast of their warrant positions. CBS will make all endeavours to provide accounts to clients on a daily basis relating to positions and financial balances, however it is firmly the clients responsibility to monitor their own positions.

## 7. Description of CBS Warrants

The examples set out in this PDS are for illustrative purposes only and certainly do not reflect the current or future market movements, nor do they guarantee any performance of CBS Warrants.

CBS provides;

- a) Long/Bull Warrants, which profits when the underlying market rises. See below for an example of a Long Warrant trade,
- b) Short/Bear Warrants which are plain vanilla warrants in that they give simple directional trades. See below for an example of a Long Warrant trade,
- c) CBS may, depending on the client, provide more exotic warrants which are a combination of derivatives including collars, spreads, caps, floors, digitals, tunnels, knock-ins, turbos and other complex structures. These will only be offered on demand to clients who can convince CBS that they confidently understand the risks and processes involved in such complicated structures.

### 7.1 Long/Bull Warrants

Long/Bull Warrants are for those clients who are bullish, and wish for the underlying market to “go up”. This warrant increases in value when the underlying market rises and is determined by a multitude of factors that are explained elsewhere, but are expressly affected by the value of the underlying market price and the and the amount of time remaining in the warrant’s life.

Each Warrant has a Strike Price. When the underlying market price rises above this level the warrant has an absolute dollar value. The exact dollar value depends on the size of the warrant and its relationship to the underlying market’s price. Accordingly, the higher the underlying market’s price is above the warrant’s Strike Price, the greater the worth of the warrant.

An example would be a Long Gold CBS Warrant that is based on 100 ounces of Gold with a Strike Price of 1000 (which relates to US\$1000 per ounce). At expiry if the Gold price (the underlying market) is US\$1010 then the warrant would be valued

at \$1,000. Whilst a CBS Warrant based on 400 ounces with the same Strike Price of 1000 would be worth \$4,000.

The following table exhibits the performance of a Long CBS Warrant given different price levels of the underlying market, in this case Gold. These prices would be only at or after expiry and show the “absolute value”.

Underlying Market Price	Warrant Value 100 Ounces	Warrant Value 400 Ounces
1040	\$4,000	\$16,000
1030	\$3,000	\$12,000
1020	\$2,000	\$8,000
1010	\$1,000	\$4,000
1000	0	0
990	0	0
980	0	0
970	0	0
960	0	0

The value of the warrant before expiry has added value to the “absolute value”. This extra value is calculated using advanced options theory formulas. The two main and most basic components are “Theta” and market volatility. Theta is the term used by pricing/structuring gurus, however it is more commonly known as “Time Decay”. This simply means that a warrant will decay in value over time, thus losing price value the closer it gets to its Expiry Date. This rate of decay is always present in any warrant (as it is an offshoot of the advantage that is leverage) however it is least aggressive early in the life of a warrant. Unfortunately, “Time Decay” becomes rather aggressive in the later stages of the life of a warrant with the last month especially vicious. This means that a warrant loses value at an alarmingly great rate the closer it is to expiry, whether it is in or out of the money. CBS will almost always suggest to its clients to close out a warrant trade before the “Time Decay” starts to erode too much of the value of the warrant thus maximising potential profits for the clients.

## 7.2 Short/Bear Warrants

Short Warrants are for those clients who are bearish, and wish for the underlying market to “go down”. This warrant increases in value when the underlying market falls and is determined by a multitude of factors that are explained elsewhere, but are expressly affected by the value of the underlying market price and the amount of time remaining in the warrant’s life.

Each Short Warrant has a Strike Price. When the underlying market price falls below this level the warrant has an absolute dollar value. The exact dollar value depends on the size of the warrant and its relationship to the underlying market’s price. Accordingly, the lower the underlying market’s price is below the warrant’s Strike Price, the greater the worth of the warrant.

An example would be a Short/Bear Gold CBS Warrant that is based on 100 ounces of Gold with a Strike Price of 1000 (which relates to US\$1000 per ounce). At expiry if the Gold price (the underlying market) is US\$990 then the warrant would be valued

at \$1,000. Whilst a CBS Warrant based on 400 ounces with the same Strike Price of 1000 would be worth \$4,000.

The following table exhibits the performance of a Short CBS Warrant given different price levels of the underlying market, in this case Gold. These prices would be only at or after expiry and show the “absolute value”.

Underlying Market Price	Warrant Value 100 Ounces	Warrant Value 400 Ounces
1040	0	0
1030	0	0
1020	0	0
1010	0	0
1000	0	0
990	\$1,000	\$4,000
980	\$2,000	\$8,000
970	\$3,000	\$12,000
960	\$4,000	\$16,000

The value of the warrant before expiry has added value to the “absolute value”. This extra value is calculated using advanced options theory formulas. The two main and most basic components are “Theta” and market volatility. Theta is the term used by pricing/structuring gurus, however it is more commonly known as “Time Decay”. This simply means that a warrant will decay in value over time, thus losing price value the closer it gets to its Expiry Date. This rate of decay is always present in any warrant (as it is an offshoot of the advantage that is leverage) however it is least aggressive early in the life of a warrant. Unfortunately, “Time Decay” becomes rather aggressive in the later stages of the life of a warrant with the last month especially vicious. This means that a warrant loses value at an alarmingly great rate the closer it is to expiry, whether it is in or out of the money. CBS will almost always suggest to its clients to close out a warrant trade before the “Time Decay” starts to erode too much of the value of the warrant thus maximising potential profits for the clients.

#### 8. Fees and Commissions

**CBS charges a fixed commission of USD15.00 per issued warrant. CBS absorbs all of its costs regarding its hedging, trading and dealing and never passes these on to clients.**

#### 9. Client Monies

Funds deposited with CBS are deposited into our client trust account ie. segregated and held and invested in accordance with the Client agreement Form and in accordance with the Corporations Act 2001.

For money deposited in our off line client segregated trust account, the client is required to acknowledge as part of our Terms and Conditions as contained in our Client Agreement Form that;

- a) individual client accounts are not separated from each other;

- b) all clients' funds are co-mingled into the one trust account;
- c) the clients money provisions may not insulate any individual clients' funds from a default in our client trust account. Such a default may arise from any client's trading;
- d) assets in the client trust account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default;
- e) CBS is entitled to withdraw, deduct or apply any amounts payable to CBS under the terms of this PDS or the Client Agreement Form or the FSG or the Corporations Act 2001;
- f) CBS may pay, withdraw, deduct any amounts from the client trust account to use in its business ie. in order to secure trading facilities to enable CBS to provide the financial product to you.

CBS will not accept payments from or make payments to any third parties. In accordance with Australian anti-money laundering regulations, CBS will report, where it deems necessary, any suspect fraudulent transactions to AUSTRAC.

#### 10. Product Specific Acknowledgement

You are required to acknowledge to CBS by way of the Client Agreement Form that you:

- a) Understand that transactions between you and CBS do not take place on a regulated exchange and are not covered by the protections for exchange traded contracts arising under the Corporations Act 2001.
- b) May lose all of your initial investment.
- c) Understand that Derivatives such as Warrants can be very volatile. You may incur large losses in short periods of time. These losses may be larger than you had expected.
- d) Understand that under extreme market conditions that occur from time to time, it could be difficult to close out a transaction at a price that would confine a loss sustained by you within your expectations. This loss may be substantial but cannot bypass the amount of your initial investment.
- e) Understand that stop loss, or stop profit, orders may not always be able to be filled at your desired price level.
- f) Understand that CBS does not enter into any transaction by way of gaming or wager.
- g) Are aware that investing in CBS Warrants carries a high level of risk and due to the potential volatility and fluctuations in financial markets you could sustain a total loss of the amount of the purchase price.

- h) Have given consideration to your objectives, financial situation and needs and the significant risks of loss together with the prospects of profit are associated with dealing in financial products offered by CBS and have formed the opinion that dealing in those products is suitable for your purposes.
- i) Understand that a high degree of leverage that is attainable in trading derivative products can work against you as well as for you, which can crystallise into large losses.
- j) Have received or downloaded, read and understood, then obtained appropriate and sufficient advice concerning the terms of this PDS, the Client Agreement Form and the FSG,
- k) Have consented to CBS collecting, maintaining, using and disclosing personal information about you and provided by you for another person.
- l) Agree that CBS will provide its services to you on the terms and conditions of this PDS and the other documents making up our Agreement.

## 11. Dispute Resolution

If you have a query or complaint about the financial services provided to you, please take the following steps;

1. Contact your Advisor and discuss your concerns.
2. If your complaint is not satisfactorily resolved, contact CBS to inform us about your complaint. You may do this by telephone, facsimile, email or letter. All complaints will be properly handled and investigated promptly. We will try to resolve your complaint quickly and fairly.
3. If your complaint is not resolved to your satisfaction, you have the right to refer the matter to the Financial Ombudsman Service who may be contacted on 1300 780 808 or in writing to FOS at GPO Box 3, Melbourne VIC3001.
4. Another alternative you may consider is the Australian Securities and Investment Commission ("ASIC"). They can be reached via the Free call hotline on 1300 300 630.

