



PRODUCT DISCLOSURE STATEMENT

FUTURES & OPTIONS

Issue Date: 11 May 2006

IMPORTANT NOTE

Financial Services are provided by Sonray Capital Markets Pty Ltd ACN 104 482 993. ("Sonray")

Please note that this Product Disclosure Statement ("PDS") does not constitute a recommendation, advice or opinion. Before entering into a Sonray futures or options transaction, you should seek independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances. We recommend that you also obtain independent taxation and accounting advice in relation to the impact of foreign exchange gains and losses on your particular financial situation. The taxation consequences of exchange traded derivative transactions can be complex and will differ for each individual's financial circumstances, and your tax adviser should be consulted prior to entering into an exchange traded derivative transaction.

Sonray does not guarantee the investment performance of exchange traded derivatives products nor the investment performance of the underlying markets or instruments.

For information regarding our full range of products and services, please read our Financial Services Guide. If you have any queries regarding this PDS, please contact Sonray.

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1. Purpose and Contents of this Product Disclosure Statement (“PDS”)

This PDS is designed to provide you with important information regarding exchange traded futures and options products we utilise in the provision of our services, including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- Key features/risk/benefits of these products
- Applicable fees and charges for these products
- Any (potential) conflicts of interest we may have; and
- Our internal and external dispute resolution process.

The information in this PDS is subject to change from time to time. Where changes are material, we will issue a revised or supplementary PDS to all clients. This PDS does not constitute an offer or solicitation to anyone outside the authorised jurisdiction.

If you would like further information, please ask us. Further detail about our services is available on our website.

2. Name of Service Provider & Principal Contact

The Service Provider is Sonray Capital Markets Pty Ltd ACN 104 482 993 (“Sonray”), and the Principal Contact is Russell Johnson, Managing Director.

3. Australian Financial Services Licence (“AFSL”)

Sonray holds an AFSL [Number 231151] and is authorised to provide the following services:

- to provide general and/or personal financial product advice in relation to, and to deal in,:
 - (i) deposit and payment products;
 - (ii) derivatives;
 - (iii) foreign exchange contracts;
 - (iv) debentures, stocks or bonds issued by a government;
 - (v) managed investment schemes including investor directed portfolio services;
 - (vi) securities; and
 - (vii) miscellaneous financial investment products limited to managed investment warrants and Managed Discretionary Account (MDA) services; and
- to make a market in derivatives; and
- to underwrite interests in managed investment schemes and issues of securities; and
- to provide certain custodial services;

to retail and wholesale clients.

Sonray can undertake trades pursuant to client instructions (non-discretionary) or manage such investments on their behalf (discretionary) utilising a comprehensive range of financial products and services.

4. Contact details of Sonray

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5. Glossary of Terms

Following is a list of products/terminology used in this PDS and their meaning:

American Style Option	An option which can be exercised at the Exercise Price on any day up until and including the day of expiration.
Call Option	An option which gives the buyer the right, but not the obligation, to buy the underlying asset, contract or commodity from the seller at (or before) a future point in time (the Expiry Date) at a pre-defined price (the Exercise Price).
Clearing	The process by which futures contracts and options on futures executed on a derivatives market are registered and cleared in the name of a Clearing Participant with the relevant Clearing & Settlement Facility.
Clearing House	Means any clearing and/or settlement facility, as that term is defined in Section 768A of the Corporations Act, from time to time operating in or authorised or appointed by any Licensed Market on which Sonray may trade, or where the market is not a Licensed Market, any other clearing house
Clearing Participant	Means a participant of a Clearing House.
Corporations Act	The <i>Corporations Act 2001(Cth)</i> as amended from time to time.
Derivative	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 option contracts as defined in the Corporations Act prior to the commencement of the Financial Services Reform Act.
European Option	An option which can only be exercised at the Exercise Price on the Expiry Date.
Exercise Price	The price at which the option holder may buy or sell the underlying instrument, as defined in the terms of the option contract.
Expiry Date	In relation to a futures option, the date on which the option expires as designated in the contract specifications.
Futures Exchange	A financial market that is either authorised by an Australian market licence in accordance with the Corporations Act or a market regulated outside Australia.
Initial Margin	The minimum amount of cash or security that a client must have on deposit with us to establish a position in a Derivative.
Long	A bought position.
Margin Call	A demand for additional funds to be deposited in an account to meet margin requirements either because of adverse price movements or an increase in Initial Margin requirements.
Market Order	An order to buy or sell a derivative immediately at the current price.
Operating Rules	Means the operating rules, as that term is defined in section 761A of the Corporations Act, of a futures exchange on which the relevant derivative is executed.
Premium	The purchase price paid to buy a futures option.

Put Option	An option where the buyer has the right, but not the obligation, to sell the underlying asset, contract or commodity at or before a future point in time (the Expiry Date) at a pre-defined price (the Exercise Price).
Short	A sold position.
Strike Price	Another term for the Exercise Price.
Variation Margin	The amount of funds called to cover the difference between the current mark to market value of the Derivative and the previous mark to market value of the Derivative.

6. Nature of Futures and Options products/services offered or utilised by Sonray

Sonray provides the following services:

- Execution only service for exchange traded futures and options;
- Pre-transaction advice on exchange traded derivatives instruments; and
- Advisory and dealing service for Non-Discretionary or Discretionary Accounts.

Sonray is authorised to buy and sell futures and options on listed domestic and international exchanges and to give product advice regarding the specific futures or options transaction or product.

7. Purpose of futures and options products (Exchange-Traded Derivatives)

Products covered by this PDS are as follows:

- Futures contracts (both deliverable and cash-settled);
- Options on futures (which are options over a futures contract); and
- Eligible exchange traded options, which are options over commodities or cash adjustments based on stock indices.

These products are all included in the definition of derivatives under the Corporations Act, and shall be referred to, in various sections of this PDS, as “Exchange-Traded Derivatives”.

Exchange-Traded Derivatives are generally used for one of two purposes – hedging or speculating. Exchange-Traded Derivatives contracts can provide those who deal in the underlying financial product with a facility for managing the risks associated with changing prices for those investments. Where Exchange-Traded Derivatives are used in this way, the strategy is known as hedging. Exchange-Traded Derivatives are also traded by speculators, who trade in the anticipation of profiting purely from changing prices in the traded commodities, financial instruments or indices.

Exchange For Physicals

Both the Australian Stock Exchange (ASX) and the Sydney Futures Exchange (SFE) also provide an Exchange For Physical (“EFP”) facility for further flexibility in the management of price risk. An EFP allows a futures position to be exchanged for a physical position in the underlying market at a price negotiated between the counterparties.

EFPs provide a mechanism to:

- swap from a futures contract to a physical position or vice versa
- off market price certainty for large physical versus futures transactions
- fulfill delivery commitments

The physical and futures components must be 'substantially similar' and equal in terms of either:

- value (ie the value of the physical being similar to the value of the futures); or by
- quantity (the quantity of the physical being similar to the quantity of the futures)

For further information in relation to the benefits and features of EFPs, you are referred to the Sydney Futures Exchange website at www.sfe.com.au

Block Trading Facility

The SFE also offers a Block Trading Facility (BTF) for SPI 200 Futures contracts. The BTF is an entirely off-market (non-SYCOM) trading facility, enabling bilateral large volume transactions which may otherwise negatively impact normal market quality. Once fully negotiated, the initiating party registers the trade into the SFE via SYCOM's text messaging facility. Further information relating to the benefits and features of the BTF can be found on SFE's website.

8. Key Features of Exchange-Traded Derivatives

An Exchange-Traded Derivative contract is an agreement, traded on a derivatives exchange, to either buy or sell a specific quantity or a specific product for settlement on a specified date. Settlement can be via physical delivery or cash settlement. The underlying product may be, but is not limited to a security, index, commodity or other financial instrument.

Exchange-Traded Derivatives can be traded in Australia and overseas, on futures exchanges and some stock exchanges. There may be differences in procedure and regulation of markets from one country to another and one exchange to another.

Physical delivery vs Cash settled

There are two main types of Exchange-Traded Derivative contracts. One is an arrangement under which the seller agrees to deliver to the buyer, and the buyer agrees to take physical delivery of, the quantity of the product described in the contract. Such contracts are described in this PDS as deliverable contracts.

The other is an arrangement under which the two parties will make a cash adjustment between them according to whether the price of the product has risen or fallen since the time the arrangement was made. Such contracts are described in this PDS as cash settled contracts.

Deliverable contracts involve an obligation for the seller of the contract to deliver the specified quantity of the relevant product at the maturity date as specified in the contract and for the buyer of the contract to take physical delivery of the specified quantity. If you are speculating, it is not advisable to enter into deliverable contracts in the last weeks before maturity unless actual delivery of the product is contemplated. If you intend to make or take physical delivery, you must first check with us, as there may be additional obligations which attach eg insurance requirements, delivery costs etc.

Standardisation

Exchange-Traded Derivative contracts can be made for periods of up to several years in the future, although most are for settlement within 6 months of the contract being made. Part of the standardisation of Exchange-Traded Derivative contracts means that the time of delivery or settlement is one of a series of standardised maturity times.

Derivatives contracts, more particularly futures contracts, traded on the SFE, ASX and international futures exchanges are standardised and fungible (interchangeable).

A consequence of contract standardisation is that while the investor determines the volume and maturity of the derivative contract by choosing which contract to enter, price is the only factor that remains to be determined in the marketplace. On the SFE, derivatives contracts are quoted and traded on SYCOM®. On the ASX derivative contracts are quoted and traded on the Derivatives Trading Facility (otherwise known as CLICK). SYCOM® and CLICK are systems which provide continuous price discovery. This means that the price at which trades take place may continually change throughout a trading session.

Novation and Closing Out

A further feature of contract standardisation and fungibility is that obligations under such Exchange-Traded Derivatives contracts are easily transferred from one party to another. Clearing Houses provide clearing and settlement services to the relevant exchanges and stand between the buying and selling brokers, guaranteeing contract performance to each of them. This is an important feature of Exchange-Traded Derivative contracts and is known as novation. The Clearing House interposes itself between the original buyer and seller and effectively creates two new contracts from the original contract. The Clearing House becomes the new buyer to the original seller and becomes the new seller to the original buyer.

A client who holds an Exchange-Traded Derivative contract to buy may cancel this obligation by taking a new contract to sell in the same month, a process known as offsetting or closing out the contract. In the same way, the holder of a contract to sell can close out by taking a new contract to buy.

In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount – minus any transaction costs. In practice, the vast majority of derivatives contracts are offset in this manner, the remainder being fulfilled by physical delivery or by mandatory cash settlement where no provision for delivery exists.

Closing-out can be achieved without reference to the original party with whom the Exchange-Traded Derivatives contract is traded because of the system of novation discussed above. The clearing house is able to substitute a new buyer as the contract party when an existing buyer sells to close out their position.

The Clearing House ensures that it is able to pay such profits by calling Initial Margin and Variation Margin from clearing participants to cover any unrealised losses in the market.

Settlement

If you have a deliverable derivative contract open at the close of trading on the last day of trading you will be under an obligation to deliver, or take delivery of and pay the contract price in full for the commodities described in the specifications. It is the policy of some brokers not to permit speculators to make or take delivery under a deliverable derivative contract (except where required by the Clearing House).

If you have a cash settled contract open at the close of trading on the last day of trading, you will be under an obligation pay or have a right to receive an amount of money depending on the price movement.

The settlement of derivative contracts that are options on futures is more complex. On the SFE, all in-the-money options are automatically exercised by the clearing house. The resulting position is settled as a futures position. Not all exchanges automatically exercise options the same way at expiry, particularly US exchanges. Check with your advisor before the expiry date or the option may lapse worthless. You should always check the contract specifications of the particular contract before trading any unfamiliar futures or options contracts.

The settlement procedures for derivative contracts that are exchange traded options is different again. Because these instruments can be traded on futures and stock exchanges the procedures can vary widely.

Contract Specifications

The contract terms of an Exchange-Traded Derivative are generally set out in the Operating Rules of the exchange on which the contract is entered into. Derivatives exchanges exist in a number of countries, notably the United States of America, Japan, Europe and Australia.

Contract specifications for each standardised Exchange-Traded Derivative can be found on the website of the relevant exchange. If you do not have access to these websites, please contact us and we will arrange to forward the relevant contract specifications to you free of charge.

9. Key Benefits of Exchange-Traded Derivatives

Exchange-Traded Derivatives have a number of advantages, the most significant of which are outlined below:

- a. As a risk management tool, investors can hedge (protect) their portfolio from a drop in value. For example, purchasing futures contracts or purchasing put options allows investors to hedge against a fall in the value of the underlying financial product;
- b. The initial outlay for a futures contract or a futures option contract is not as much as investing directly in the underlying financial product. In the case of individual share futures and options, trading can enable investors to benefit from a change in the price of the underlying share without having to pay the full price of the share. An investor can therefore purchase a future or a futures option (representing a larger quantity of the underlying product) for less outlay and still benefit from a price move in the underlying product. The ability to make a higher return for a smaller initial outlay is called leverage. Investors however, need to understand that leverage can also produce increased risks (see section 10);
- c. Given the process of novation discussed in section 8 above there is limited counterparty risk when trading Exchange-Traded Derivative contracts as the Clearing House for the relevant exchange stands behind the contract guaranteeing performance of the transaction;
- d. Futures and options on futures do not require a rising market to make money. Investors can profit from both rising and falling markets depending on the strategy they have employed. Strategies may be complex and will have different levels of risk associated with each strategy;
- e. The flexibility of entering and exiting the market prior to expiry enables an investor to take a view on market movements and trade accordingly. In addition, the variety of futures and

futures option combinations allow investors to develop strategies regardless of the direction of the market;

- f. Investors can earn income by writing call options over existing futures positions or a portfolio of shares already held. As a writer of options, the investor will receive the premium amount up front but will be required to pay margin or lodge the underlying shares as security. The risk is that the writer may be exercised against and be required to deliver their shares to the buyer at the exercise price.

10. Key Risks of Exchange-Traded Derivatives

The risk of loss in trading in Exchange-Traded Derivatives contracts can be substantial. An investor should carefully consider whether trading is appropriate for them in light of their financial circumstances, situation and needs. It is also important that you read and understand the terms and conditions of trading in the Managed Discretionary Account/Non-Discretionary Account for Trading on the Futures and Options Markets Client Agreement and Disclosure Document before entering into any Exchange-Traded Derivative transactions.

In deciding whether or not you will become involved in trading, you should be aware of the following:

- a. Exchange-Traded Derivative contracts are leveraged financial products and as such trading in Exchange-Traded Derivatives may result in potentially unlimited losses that are greater than the amount that you deposited with Sonray;
- b. You could sustain a total loss of the initial margin that you deposit with us to establish or maintain an Exchange-Traded Derivatives contract;
- c. If the derivatives market moves against your position, you may be required, at short notice, to deposit with Sonray a variation margin in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be closed out at a loss and you will be liable for any shortfall in your account resulting from that failure;
- d. Under certain market conditions, it could be difficult or impossible for you to close out a position. This can, for example, happen when there is a significant change in prices over a short period;
- e. Under certain market conditions it may also be difficult or impossible for you to manage the risk of open positions by entering into equivalent and opposite positions in another contract month, on another market or, where relevant in the underlying instrument;
- f. Under certain market conditions the prices of Exchange-Traded Derivative contracts may not maintain their usual relationships with the underlying market;
- g. Where you have a position in a deliverable Exchange-Traded Derivative and you hold this open position going into the delivery period, you may be required to effect physical delivery of the underlying commodity if your position is matched;
- h. All Exchange-Traded Derivative contracts involve risk and there is no trading strategy that can eliminate it. The placing of contingent orders (such as a 'stop-loss' order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders;
- i. A "spread" position (which involves the simultaneous purchase and sale of futures or options on futures) is not necessarily less risky than a simple "long" or "short" position;

- j. The high degree of leverage that is obtainable in trading Exchange-Traded Derivative contracts because of small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as large gains;
- k. If you propose to trade in options on futures, the maximum loss in buying an option is the amount of the premium, but the risks in selling an option are the same as in other futures trading, that is, they are unlimited;
- l. Options have a limited life span as their value erodes as the option reaches its expiry date. Hence, it is important to ensure that the option selected meets your investment objectives.
- m. You may experience losses due to the systems failures which may either relate to the brokers execution systems or the exchanges trading and/or clearing systems.
- n. The Exchanges and Clearing Houses have discretionary powers in relation to the market and operation of facilities, for example, power to suspend trading, restrict exercise, impose position limits, terminate open positions etc in order to ensure fair and orderly markets are maintained.
- o. If a client trades in Exchange-Traded Derivatives contracts denominated in currencies other than Australian dollars a client may lose money due to exchange rate fluctuations. These losses may be in addition to any losses on the derivatives contract itself.
- p. Participation in foreign Exchange-Traded Derivatives transactions involves the execution and clearing of trades subject to the rules of that foreign derivatives exchange and the laws of the country in which that exchange is domiciled.
- q. Neither the Australian Securities and Investments Commission (ASIC) nor the domestic Australian exchanges (such as SFE or ASX) regulate activities of foreign derivatives exchanges, including the execution, delivery and clearing of transactions, nor do they have the power to compel enforcement of the operating rules of a foreign derivatives exchange or any applicable foreign laws. Generally, the foreign transaction will be governed by applicable foreign law. This is true even if the derivatives exchange is formally linked with an exchange in Australia. Moreover, such rules and regulations will vary depending on the foreign country in which the transaction occurs.
- r. Clients who trade on foreign derivatives exchanges may not have the benefit of protective measures provided by the Corporations Act 2001 (Cth). In particular, clients' funds may not be subject to the same protections afforded by Australian segregated client account controls nor the benefit of domestic regulatory body fidelity funds.
- s. A client may incur losses that are caused by matters outside Sonray' control. For example, a regulatory authority exercising its powers during a market emergency may result in losses for the client. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss to the client.
- t. A market disruption may mean a client is unable to deal in a derivatives contract when desired, causing the client to suffer a loss as a result. Common examples of disruption include the "crash" of a computer based trading system, fire or other exchange emergency. Also a futures regulatory body could declare an undesirable situation has developed in a particular futures contract and suspend trading.
- u. There are no cooling-off arrangements for exchange traded derivative contracts. This means that when Sonray arranges for the execution of an exchange traded derivative, you do not have the right to return the product, nor request a refund of the money paid to acquire the product. Should you change your mind after entering into an exchange traded derivative, you can close out your position by entering into the opposite transaction (although loss may be incurred in doing so).
- v. It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, the regulations made under that Act

and circulars issued by past and present regulators of superannuation funds including the Insurance and Superannuation Commission, the Australian Prudential Supervisory Authority and the Australian Taxation Office. Without being an exhaustive list, following are some of the issues that should be considered by a Trustee of a complying superannuation fund:

- Prohibitions on borrowing and charging assets and whether dealing in exchange traded derivatives would breach those borrowing and charging prohibitions;
- The purpose of dealing in exchange traded derivatives in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by Trustees of those funds;
- The necessity for a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in exchange traded derivatives and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

11. Options on futures

Option contracts traded over futures contracts are distinguished from options over equities which are traditionally traded on stock exchanges. The following information is included to explain the specific nature of a futures option contract and the obligations assumed by a person who enters into a futures option.

From the buyer's viewpoint, a futures option gives the buyer the right, not the obligation, to enter into a futures contract at the prescribed exercise (strike) price of the futures option in return for payment of a premium. From the seller's viewpoint, the seller has no right other than a right to the premium. The seller will be under an obligation to enter into a futures contract at the exercise price of the futures option if the option is validly exercised by the buyer. Like futures contracts, options on futures are both standardised and novated so that having bought a futures option, it is possible to sell it later to a third party and close out the position.

European options can only be exercised on the expiry date and not before. American options can be exercised at any day up until and including the day of expiration. Options on futures traded on the Sydney Futures Exchange Limited (SFE) are American Style Options and may be exercised at any time before the expiry date. As noted, because SFE options on futures can be exercised at any time before the expiry date, the seller of a futures option must be prepared for that option to be exercised any time before the expiry date.

You should clarify whether the option you are dealing with is an American or European option prior to entering into the transaction. This will differ in accordance with the Operating Rules of the exchange you are trading on.

A call option gives the buyer the right to buy (in the same market) a specified quantity of the futures contract at a designated price at or before the expiry date of the option. The seller of a call option has the obligation to enter into a futures contract if the futures option is exercised by the buyer. A put option gives the buyer the right to sell (in the same market) a specified quantity of the futures contract at the exercise price. The seller of a put option has the obligation to purchase the futures contracts if the put option is exercised by the buyer. Each put or call option has a buyer and a seller.

The diagram below sets out the results from the buyer's and seller's viewpoint when the buyer exercises a call or put futures option:

Buyer		Seller	
Bought call option →	Bought futures contract (at the exercise price of the option)	Sold call option →	Sold futures contract (at the exercise price of the option)
Bought put option →	Sold futures contract (at the exercise price of the option)	Sold put option →	Bought futures contract (at the exercise price of the option)

12. Foreign Exchange conversions

If you instruct Sonray to effect a transaction denominated in a foreign currency (for example a transaction on an overseas market), Sonray may need to convert Australian dollars it receives from you into foreign currency to meet the obligations arising in respect of the transaction. Similarly, if you are resident overseas and instruct Sonray to effect a transaction denominated in Australian dollars, Sonray may need to convert the foreign currency into Australian dollars. These conversion requirements may involve the entry into foreign exchange transactions within the meaning of the Corporations Act. Sonray is authorised under its Australian Financial Services Licence to provide this service. Dealing in foreign currency related transactions can expose you to foreign exchange risks between the time the transaction is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of government. In some situations, exchanges of currency may be suspended. There is always operational risk in a foreign exchange transaction. For example, disruptions in our operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a transaction. You should have regard to these risks when considering transactions involving financial products described herein.

13. Documentation

Sonray will provide you with the requisite documentation to facilitate requested transactions. If you proceed with a futures or options transaction, you will need to return a signed copy of the Client Agreement and Disclosure Document, which sets out your rights and obligations, and our trading terms, prior to trading any exchange traded derivatives. Please contact us for a copy of the Agreement. You should read the Agreement carefully and seek independent legal and/or financial advice should you have any concerns.

Sonray provides general advice (which **does not** take into account your objectives, financial situation or needs) in relation to most transactions.

In the event that you are a retail client AND we provide you with personal advice (which does take into account your objectives, financial situation or needs in relation to your futures or options transaction or request), you shall receive a separate Statement of Advice.

14. Remuneration, commission & benefits expected to be received by Sonray for provision of our financial services

Sonray is remunerated through the fees and commissions that we charge you. With certain products, we are also directly remunerated by non-related product issuers through ongoing commissions.

Sonray's employees and directors are remunerated by way of salary and other employee benefits. They may also be eligible for a discretionary bonus which is based on achievement of pre-determined business objectives such as contribution to profit, client service, risk management and leadership/team contribution.

Certain employees, directors and representatives may also receive 0% to 70% of all fees and commissions generated from their clients depending on the level of salary and the aggregate revenue that they earn for Sonray.

Fees and commissions charged to you will depend on the type of financial product being traded, the frequency of your trading activity, the type and level of service required and the size of the transaction. Rates are subject to negotiation by you with Sonray prior to transacting any business and are detailed in the Fees & Charges section of this Product Disclosure Statement. Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed.

Sonray is also entitled to retain any interest it earns on client money held in the segregated accounts it must maintain pursuant to the Corporations Act. The rate of interest is determined by the provider of each segregated account. Client acknowledges that individual client accounts are not separated from each other, but may be co-mingled into one trust account (which is separate to Sonray's monies/assets).

Clients may also incur failure fees on failed transactions or interest charges on outstanding payments.

If you receive personal advice from a representative of Sonray, more detailed information about fees, commissions and other benefits payable to Sonray or our representative will be contained in or with your Statement of Advice.

Sonray does not make payments to, or accept payments from, third parties; and we comply with our obligations to report all relevant transactions to AUSTRAC in accordance with anti-money laundering requirements.

15. Costs, Fees & Charges

Brokerage

We charge brokerage on each exchange traded derivatives contract executed on your behalf. Our brokerage rates vary depending on the type and level of service required, the exchange upon which the transaction is to be conducted, and the frequency of transactions. The standard brokerage you will be charged per side varies between AUD\$4 and AUD\$50 for purchases or sales conducted on Australian exchanges. For trades on international exchanges brokerage you will be charged per side varies between USD\$4.50 and USD\$80.

The brokerage amount must be paid to us immediately upon execution of the trade, and will be deducted from your account in accordance with our Agreement. Please note that GST will be charged on all brokerage and fees.

The standard brokerage fee generally includes any Exchange and Clearing House fees that are payable. Where they are not included, you will be notified at the time of the transaction. Fees charged by the Exchange, for execution and clearing of transactions, vary from exchange to exchange and can be found on that particular Exchange's website.

Margins

To protect the financial security of the executing and clearing brokers and the Clearing House until Variation Margins are paid, each client is required to pay Initial Margins. Margins are generally a feature of all exchange traded derivative products and are designed to protect the Clearing House against default. A margin is the amount calculated by the Clearing House as necessary to cover the risk of financial loss on an open exchange traded derivative contract due to an adverse market movement.

Initial Margins are set by the Clearing House or the derivatives exchange or both and act as a deposit for the Derivatives contract that has been entered into by the client. Initial Margin may vary from time to time according to the volatility of the market. This means that an Initial Margin may change after a position has been opened, requiring a further payment (or refund, where applicable, on request).

Initial Margins are carefully calculated to cover the maximum expected movement in the market from one day to the next. A broker is entitled to demand or "call" a higher Initial Margin than the minimum set to protect its personal obligation incurred when dealing on a client's behalf. Liability for Initial Margin occurs at the time of the trade and should be paid to the broker before any trading is conducted on the client's behalf.

Variation Margins must be paid or satisfied by any client whose derivatives contract is showing a loss i.e. if the market falls after a purchase or rises after a sale.

Variation Margin ensures that if the holder of the opposite contract wishes to offset the obligation before you, the Clearing House will have sufficient cash on hand to pay the resulting profit. If the market fails to recover before your contract matures, this margin will not be recovered; it would then become a realised loss.

At the end of each trading day we will mark your futures contract positions to market. This is the process by which we will add and deduct your gains and losses from your account balance. If adjustments are required to bring your margin levels back to the minimum required, we will call a variation margin. Variation margins may be called during a trading day (intra-day) as well, in times of extreme volatility.

Clients can, therefore, incur losses before a contract is closed out due to unfavourable market movements. In the case of SFE contracts, brokers are obliged to call their clients for variation margin on a daily basis. Participating brokers on derivative exchanges are generally required to call an Initial Margin on each trade equal to at least the minimum Initial Margin set by the Clearing House or the derivatives exchange or both.

The Variation Margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made on the client.

Initial and Variation Margin must be paid immediately after the call. If a client does not pay a margin, Sonray is entitled to close out the client's position and deduct the resulting realised loss from the Initial Margin. If the realised loss exceeds the Initial Margin, the client is required to pay the excess to Sonray. Derivatives markets can be highly volatile and a client should ensure that they are always contactable. If a client is unable to be contacted for the purpose

of communicating the call, we may elect to close out the client's derivatives contracts without actually speaking to the client.

It is the client's sole responsibility to monitor and manage their open positions and exposures, and ensure margin calls are met as required. For clients trading via the trading platform, margin calls will be notified via 'pop-up' screens on the trading platform, and clients are required to log-in to the system on a daily basis when they have open positions to ensure they receive notification of any such margin calls. Please note that if clients do not check the trading platform for margin call notifications, and hence do not meet them in a timely manner, positions will be closed out by Sonray, without further reference to the client, as per the executed Client Agreement. For clients who do not trade via the trading platform, margin calls may be notified by telephone, email or as otherwise advised.

A margin call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by Sonray in the nominated account AND Sonray has updated the trading platform (generally around 10am on the following business day).

The liability of a client under a futures contract is not limited to the Initial Margin which that client paid when the contracts were first opened. If, after paying the Initial Margin, the price moves against the client, Variation Margin will be called and must be paid on demand. Margin payments can therefore exceed the amount of the Initial Margin and any Variation Margin paid. Initial Margin (unless eroded by losses) can be paid back to the client on settlement of the contract. Margins that become realised losses are not refundable. Margins that are unrealised losses are not refundable unless there is a favourable change of direction in market prices before settlement or closing out of the futures contract. The client's liability is not limited to the amount of the initial or variation margin paid.

Option Premiums

If a client buys a futures option, the potential loss to the client is limited to the Premium, which is non-refundable.

If the option buyer pays the full Premium at the time the option is traded, they will not be called upon to pay "margins". If the buyer paid only an initial deposit, they may be called upon to pay margins up to the full value of the premium (but no more). A client who sells the option has potential unlimited liability to the holder of the underlying futures contract. However, they will only have limited profit potential, as a seller cannot earn more than the premium for which the option is sold.

An out-of-the-money option is, in relation to a call option, where the strike price is higher than the current market level or a put option where the strike price is below market ie an option which cannot be exercised at a profit. A client contemplating purchasing a deep out-of-the-money option should be aware that the chance of such an option becoming profitable is, ordinarily, remote.

Interest on Credit and Debit Balances

Interest is the price paid for the use of money. An interest rate is the ratio of the amount of interest to the amount of money. When interest rates are expressed to two (2) decimal places, one unit in the second decimal place is known as a ***basis point***. For example:

- In the quotation 5.75%, one basis point means 0.01%; alternatively
- In the decimal notation 0.0575, one basis point means 0.0001%.

Your net free credit balance accrues interest at the daily interest rate determined by Sonray. Your net free credit balance is your cash balance, per currency, plus or minus all positions mark to market, less any initial margin requirements for all open positions. The interest rate paid on account balances of less than \$15,000 is the London Interbank Bid Rate ("LIBID") less 3.75%. The interest rate paid on account balances between \$15,000-\$100,000 is LIBID

less 2.5%. The interest rate paid on account balances exceeding \$100,000 is LIBID less 1.5%.

Interest is calculated daily, but credited to your account monthly. The amount is equal to the amount of your net free credit balance (per currency) multiplied by the annual rate of interest for the number of days you are owed interest. This amount is then divided by 360 to get a daily amount.

For example, let's assume that you have the following scenario:

Base Currency – Australian Dollars i.e. AUD

Account balance = \$20,000

You have one open position which requires an initial margin of AUD \$5,000

You have an unrealised loss of this open position equal to AUD \$2,000

LIBOR Rate = 5.5%

This means that your net free balance = \$13,000 (i.e. \$20,000 - \$5,000 - \$2,000)

Interest = (net free credit balance x interest rate x number of days interest owed)/360
= (\$13,000 * 0.0175 * 1)/360
= \$0.63 interest earned per day.

We note that the funds used to meet your margin obligations when you open a position do not accrue any interest:

In the event your account balance becomes a debit Sonray will charge you interest at 3% or 300 basis points above the LIBOR rate. Provided you meet all calls for variation margin it is unlikely your account will go into debit. However, in the event of a major market movement against your position and you fail to meet a call for variation margin Sonray may exercise its right to close your position. If the realised loss is greater than the amount you have deposited with Sonray then your account will go into debit.

16. Disclosure of any relevant conflicts of interest

We do not have any relationships or associations which might influence us in providing you with our services.

17. Dispute Resolution

Sonray has an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in Section 4 of this PDS, or by email to complaints@sonray.com.au

We will provide acknowledgement of receipt of written complaints within 5 business days, and seek to resolve and respond to complaints within 30 business days of receipt. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Industry Complaints Service Limited [contact details below], an approved external dispute resolution scheme, of which Sonray is a member. You may also make a complaint via the ASIC freecall Infoline on 1300 300 630.

FICS

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18. Offer restricted to Australian residents

This PDS is not an offer or invitation in relation to Sonray's exchange traded derivative products 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.