

("THE RULES")

This Fact Sheet should be read in conjunction with, and forms part of, the terms and conditions of the purchase contracts associated with this program and should be considered as "The Rules". All Melco Pty Ltd (Melco) Durum Area Based Contracts for the 2017-18 season are subject to the Trade Rules of Grain Trade Australia (GTA) and are made under GTA contract No. 3, currently in effect, except to the extent the same conflict with the Rules expressed herein, with such Rules forming an integral part of the Contract and of which both parties hereto shall be deemed to be cognisant.

1. CONTRACT AREA AND INITIAL YIELD ESTIMATE

Growers participating in this program commit to an *Area Based Contract* to grow a *Crop* of durum wheat on a *Contract Area* (expressed in hectares). An Initial Yield Estimate (expressed as tonnes per hectare based on an expectation of an average season) will be agreed between the grower and Melco during the initial contracting process.

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2. CHEMICAL AND PESTICIDE LEVELS

2.1. All grain tendered for delivery under this program must comply with all State and Federal Laws and requirements relating to chemical, pesticide residues, Genetically Modified Organisms (GMO's), varietal declarations and all other conditions required by the GTA Trade rules, Contract, or law.

2.2. All grain tendered for delivery under this program must be free from any contact insecticide.

3. MINIMUM/MAXIMUM DELIVERABLE TONNES

3.1. Where the Initial Yield Estimate is achieved, the grower agrees to sell, and Melco agrees to buy the Crop as per contract terms.

3.2. Where the Initial Yield Estimate is exceeded the grower;

a) agrees to sell, and Melco agrees buy to up to 25% more than the Initial Yield Estimate at the contract price; and

b) grants to Melco the exclusive right to purchase all grain in excess of 125% of the Initial Yield Estimate at the market value prevailing at the time of the offer.

3.3. If the Crop is below the Initial Yield Estimate all grain produced from the Contract Area is to be delivered against the contract.

4. CONTRACT DEFAULT

4.1. Once an agreement is made, the grower is fully committed to plant the Contract Area to durum wheat, and then subsequently, deliver all grain produced from the Contract Area as per contract terms.

4.2. This is a binding and enforceable contract of sale. In the event that the grower elects not to plant the entire Contract Area to durum wheat, Melco reserves the right to implement a contract washout which may include the requirement for a financial settlement from the grower based on the full Initial Yield Estimate applicable to the hectares not planted.

4.3. Any variation to the Contract Area must be in writing and signed by both parties. In the absence of an express variation, Growers who elect not to deliver against the full Contract Area (for example, who dispose of some or all of the Crop for any purpose outside of their obligations under this contract at any point during the growing season, including, but not limited to, cutting some or all of the Crop on the Contract Area for hay, or feeding some or all of the Crop off to livestock) will be considered in default. Melco reserves the right to implement a contract washout which may result in the need for a financial settlement from the grower based on the full Initial Yield Estimate for those hectares not delivered against.

5. Paddock Identification

At the time of entering an Area Based Contract, growers must provide the specific location details of the Contract Area. This may include information such as a farm plan, paddock identifier/name, GPS reference details or other such details that are reasonably requested by Melco in order to accurately identify the physical location(s) of the Contract Area.

6. Crop Inspections

All growers committed to the area based program must agree to provide Melco authorised representatives with fair and unencumbered access to view and inspect the Crop at all times considered mutually convenient.

7. Final Yield Declarations

7.1. Just prior to the commencement of the 2017/18 harvest period, Melco will declare a *District Yield Average* based on regional Crop inspections.

7.2. If a grower's final yield is 10% more or less than the District Yield Average, Melco reserves the right to have the Contract Area formally inspected, and to view relevant supporting evidence including, but not limited to, header yield monitor data.

7.3. Should a formal inspection be required to address an anomaly between the District Yield Average and the grower's final yield, Melco reserves the right to recover all costs associated with that activity from the grower.

7.4. To avoid potential costs, growers who foresee yields outside the District Yield Average (either higher or lower) are strongly encouraged to contact Melco to ensure that their Crop forms part of the pre-harvest inspection process.

8. Delivery Locations

Unless otherwise agreed, all grain contracted under the area based program is to be delivered into the San Remo storage facilities based at either Balaklava or Kulpara.

9. Price Reference

9.1. The 2017/18 area program has a price reference of DR1 quality grain (as per GTA Standards) at 13.0% protein.

9.2. The price is typically referenced on a "delivered Adelaide basis" (with a freight adjustment for deliveries into Balaklava and Kulpara). Aside from freight, the only other payment adjustment relates to End Point Royalty deductions as well as applicable State and National Statutory levy deductions.

9.3. Unless otherwise specified, the grain must be of a quality as prescribed by Grain Trade Australia for the 2017/18 season under the categories of DR1, DR2, and DR3.

9.4. In circumstances where grain does not meet the minimum requirement of DR3, but is still deemed by Melco to be of a human consumption standard, a DR4 category may be established at the discretion of Melco.

9.5. A price spread relative to DR1 applies to grain assessed as falling into the DR3 (and if applicable DR4) categories.

10. Sliding Scale Quality Payments

The 2017/18 area base contract has a quality scale that incorporates both protein and screenings content and is applicable for all grain assessed to have met the DR1 or DR2 standard (see Appendix 1). Grain classified as DR3 is flat priced.



2017/18 DURUM AREA BASED CONTRACT PROGRAM FACT SHEET

APPENDIX 1

2017/18 SEASON PROTEIN AND SCREENINGS PAYMENT MATRICIES

PROTEIN %																									
11.5-11.9%					12-12.9%										13-13.9%								14+%		
11.5	11.6	11.7	11.8	11.9	12.0	12.1	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.1	13.2	13.3	13.4	13.5	13.6	13.7	13.8	13.9	FLAT PRICE
-\$25	-\$23	-\$21	-\$19	-\$17	-\$15	-\$13	-\$11	-\$9	-\$7	-\$5	-\$4	-\$3	-\$2	-\$1	BASE	+\$1	+\$2	+\$3	+\$4	+\$5	+\$6	+\$7	+\$8	+\$9	+\$10

SCREENINGS %																This matrix applies only to grain assessed as meeting the DR1 or DR2 grade as per Grain Trade Australia (GTA) 2017-18 receival standards. Grain assessed as DR3 (or lower) will be a flat price deduction relative to the contracted Base Price.
<5%	<6%	<7%	<8%	<9%	<10%	<11%	<12%	<13%	<14%	<15%	<16%	<17%	<18%	<19%	<20%	
BASE	-6	-8	-10	-12	-14	-18	-22	-26	-30	-35	-40	-45	-50	-55	-60	