

IMPORTANT NOTICE

RURAL FUNDS GROUP (RFF) EXPLANATORY MEMORANDUM - SUPPLEMENTARY AND CORRECTIVE DISCLOSURE

This supplementary and corrective disclosure is relevant to the Explanatory Memorandum dated 21 October 2013 (EM) for the proposed merger of RFM RiverBank ARSN 112 951 578 (RiverBank), RFM Chicken Income Fund ARSN 105 754 461 (CIF) and RFM Australian Wine Fund ARSN 099 573 485 (AWF) to form the Rural Funds Group (RFF).

This disclosure must be read in conjunction with the EM and unless otherwise specifically defined in this disclosure,

terms defined in the EM have the same meaning when used in this disclosure. ASIC takes no responsibility for the contents of this disclosure. The directors of RFM have authorised the issue of this disclosure.

The information below supplements and corrects information presently contained in the EM.

The independent expert has taken into account this additional disclosure and a short supplementary report is attached.

1 Information for Unitholders

1.1 Action required by Unitholders

If you have already completed and returned your Proxy Form(s), you do not need to do anything unless you wish to change your vote due to the information contained within this supplementary and corrective disclosure.

If you wish to change your vote as a consequence of the information contained in this disclosure you must lodge a new Proxy Form(s) by the cut off date and times set out below. If you require a fresh proxy form it can be obtained from rfmreevaluation.com.au/key-documentation or by contacting Investor Services on 1800 026 665 or email investorservices@ruralfunds.com.au.

The Unitholder meetings have been adjourned to 9 December 2013. If you have not already completed and returned your Proxy Form(s) RFM urges you to do this by Saturday 7 December 2013 on the following times:

- RFM Chicken Income Fund: 10.00am (AEDT)
- RFM Australian Wine Fund: 11.30am (AEDT)
- RFM RiverBank: 12.30pm (AEDT)

Your vote is important and will count.

If you have any questions about the Revaluation proposal, or this additional disclosure, please contact Investor Services on 1800 026 665 or email investorservices@ruralfunds.com.au.

1.2 Proxy Forms – High level of support for Revaluation

RFM has received Proxy Forms that indicate overwhelming support from the Unitholders of the Funds for Revaluation. The numbers in Figure 1 are current as at 4.00pm Monday 18 November 2013 and not all Unitholders would have lodged Proxy Forms by this date due to the adjournment of the meetings. A small number of Unitholders have so far abstained.

Figure 1: Proxy Forms received as at Monday 18 November 2013

Fund/ Resolution	Percentage of Unitholder participation by unit value	Percentage of 'For' votes as expressed in Proxy Forms	Percentage of 'For' votes required for approval
RiverBank Ordinary Resolution	55.57%	94.59%	50%
CIF Special Resolution	61.53%	94.73%	75%
AWF Special Resolution	66.11%	89.89%	75%

2 Corrective disclosure

2.1 Calculation of merger ratios

The EM states that the merger between RiverBank, CIF and AWF is to be implemented by making RiverBank the parent entity. Unitholders in the CIF and AWF will exchange their Units for Units in RiverBank, and RiverBank will be renamed the Rural Funds Group (RFF). The Merger was constructed and disclosed in the EM on an equitable basis whereby the merger ratio applied was based on the audited 30 June 2013 Net Asset Value (NAV) of each Fund, as adjusted, and all transaction costs were materially shared in proportion to the merger ratios. In the case of the AWF, a 15% premium was added to the NAV, and disclosed as such.

A technical matter has arisen relating to RiverBank's issue of Units. In general terms, the Units must be issued in accordance with clause 4 of the RiverBank constitution. This specifies, inter alia, the formula to calculate the application price (AP) and when it should be determined.

The formula for the AP is calculated as the NAV of the assets of RiverBank, plus complying transaction costs (CTCs), plus any marketing fee; divided by the number of Units on issue in RiverBank. The AP must be determined as at the next valuation date after the property to be acquired vests in the responsible entity. In the case of Revaluation, this is on the Implementation Date, being a date after the passing of the Revaluation resolutions.

There are two consequences of this which were not included in the EM:

1. The AP should have been priced on a prospective basis, after the passing of the Revaluation resolutions, rather than fixed as disclosed in the EM.
2. RFM must document any discretion it applies in applying clause 4. RFM intends to exercise its discretion in relation to the CTCs to achieve the equitable allocation of costs between the participating Funds.

On the assumption that the Merger proceeds in December 2013, following the scheduled Unitholder meetings, and that costs are equitably shared between the Funds, RFM has forecast that there will be no material change to the merger ratios and returns contained in the EM. There will be a dilution to Unitholders' holdings post Merger under the scenarios discussed in this disclosure.

The methodology that will be used to calculate the exchange rate and application price follows.

2.2 Application Price for RiverBank Units

The constitution of RiverBank requires Units to be calculated at the AP as determined in clause 4, and issued in accordance with the procedure in clause 5 of the constitution.

If Revaluation is approved, the number of Units to be issued in RFF will be based upon the AP calculated immediately after the units in the CIF and AWF vest in RFM as responsible entity of RiverBank and before the issue of Units (**Implementation Date**). This calculation must occur after the approval of Revaluation.

Details of these items are set out below:

Net asset value (NAV) - The net asset value of the assets of RiverBank will be assessed as at the Implementation Date.

Marketing fee - There is no marketing fee applicable as the Merger does not encompass raising new capital. Certain costs have been incurred in holding meetings with each group of Unitholders and their financial advisers, however these are costs incurred with respect to the particular fund and are not marketing fees.

Complying transaction costs (CTCs) - Using the discretion (as permitted by the RiverBank constitution and pursuant to s601GAB of the Corporations Act 2001) RFM intends (subject to any court determination otherwise) to deem the amount of the CTCs to be a lesser sum than incurred by RiverBank. The intent of this deeming, once exercised, is that the costs of Revaluation are shared between the Unitholders of the three Funds on a pro rata basis relative to their NAVs. RFM considers that it is just and equitable that RiverBank should bear some of this cost as RiverBank Unitholders will receive benefits from Revaluation going forward, as well as the benefits of what AWF and CIF are bringing to the Merger.

The Board of RFM considers that the exercise of its discretion in this manner allows the costs of Revaluation to be shared appropriately between the Unitholders of all three Funds. This equitable sharing of CTCs is Scenario One described below.

As Unitholders would be aware, a Unitholder in RiverBank is challenging in court RFM's assessment of the AP for RiverBank units. The challenge relates to the calculation of AP for RiverBank units and the assessment of CTCs.

The court may determine that RFM is unable to exercise its discretion to deem the CTCs at the reduced amount necessary to provide an equitable outcome (Scenario One).

Given this uncertainty, Scenario Four described below is based on the CTCs not being shared by RiverBank, but borne by CIF and AWF through an increase in the RiverBank AP.

The Independent Expert has prepared a supplementary letter which accompanies this disclosure. The Independent Expert has assessed four scenarios ranging from Scenario One to Scenario Four (see explanation below). This range encompasses the application of a range of CTCs. The disclosure in this document is limited to Scenario One and Scenario Four, being the two extremes. Scenario One is an equitable outcome for all Unitholders, whereas Scenario Four is where the CTCs are not shared equitably between the three Funds, but borne by CIF and AWF Unitholders through an increase in the RiverBank AP.

The CTCs which have been used in Scenario Four are RFM's reasonable estimate of the actual expenses incurred by RiverBank and those that will be incurred at the Implementation Date. In the case of CIF and AWF Unitholders, they should consider Scenario Four as a possible outcome of the Merger and make their decision on whether to support or reject Revaluation based on Scenario Four. If the court accepts (in full or in part) RFM's submission it is entitled to exercise its discretion in the determination of CTCs it is possible the ultimate AP will fall somewhere between Scenario One and Scenario Four.

Scenario One	RFM exercising its discretion to deem the CTCs at the reduced amount necessary to provide an equitable outcome
Scenario Four	The CTCs are not shared equitably between the three Funds, but borne by CIF and AWF Unitholders through an increase in the RiverBank AP.

3 Merger process

Assuming all the resolutions are passed at the resumed meetings, on the Implementation Date all Units in the CIF and AWF will vest in RFM as responsible entity of RiverBank. RFM will then calculate the AP for Units to be issued by RiverBank to members of CIF and AWF in accordance with the methodology explained above. The value attributable to the CIF and AWF units on the Implementation Date will be calculated in accordance with Figures 4 and 5.

RiverBank will then issue units to CIF and AWF Unitholders.

Following the Merger, the number of Units on issue in RiverBank will be divided, such that the NAV of RiverBank divided by the number of Units on issue in RiverBank (following the Implementation Date) results in the value of a RiverBank unit of \$1.00. This division is to be made for administrative convenience and does not affect the total value of the Unitholdings (see Figures 5 and 6).

3.1 Comparison of Forecast Merger Ratios and Values to the Explanatory Memorandum

In the examples set out in Figures 2 to 7, two scenarios are used. Scenario One assumes CTCs are equitably shared between the three Funds. Scenario Four includes CTCs not shared by RiverBank, but borne by CIF and AWF through an increase in the RiverBank AP. In the event that the court determines that RFM is unable to deem CTCs as the reduced amount, then the ownership of RFF will differ as highlighted.

Both scenarios use an Implementation Date of 10 December 2013 as an example. The actual merger ratios will be calculated and applied on the Implementation Date.

Figure 2 demonstrates and compares the conversion and value of 1,000 RiverBank, CIF and AWF units to RFF Units using forecast net asset values and CTCs as at 10 December 2013. The actual percentage of ownership will be determined on the Implementation Date, which may not be until after 10 December 2013. Accordingly, the precise number of units in RFF that the Unitholders of RiverBank, CIF and AWF will hold after the Implementation Date cannot, at this stage, be predicted with certainty.

Under Scenario One, the value of Unitholdings for RiverBank will be diluted 5.60% and CIF Unitholders will be diluted 4.89%. Under Scenario Four, the value of Unitholdings for RiverBank will be diluted 1.96% and CIF Unitholders will be diluted 6.75%. In the case of the AWF, Revaluation would be accretive by 7.55% under Scenario One and 5.12% under Scenario Four. In all cases these percentages are the change in the NAV of a Unitholding post Revaluation.

Figure 2 replaces Figure 1.4 in the EM.

Figure 2: 1,000 Unit conversion example

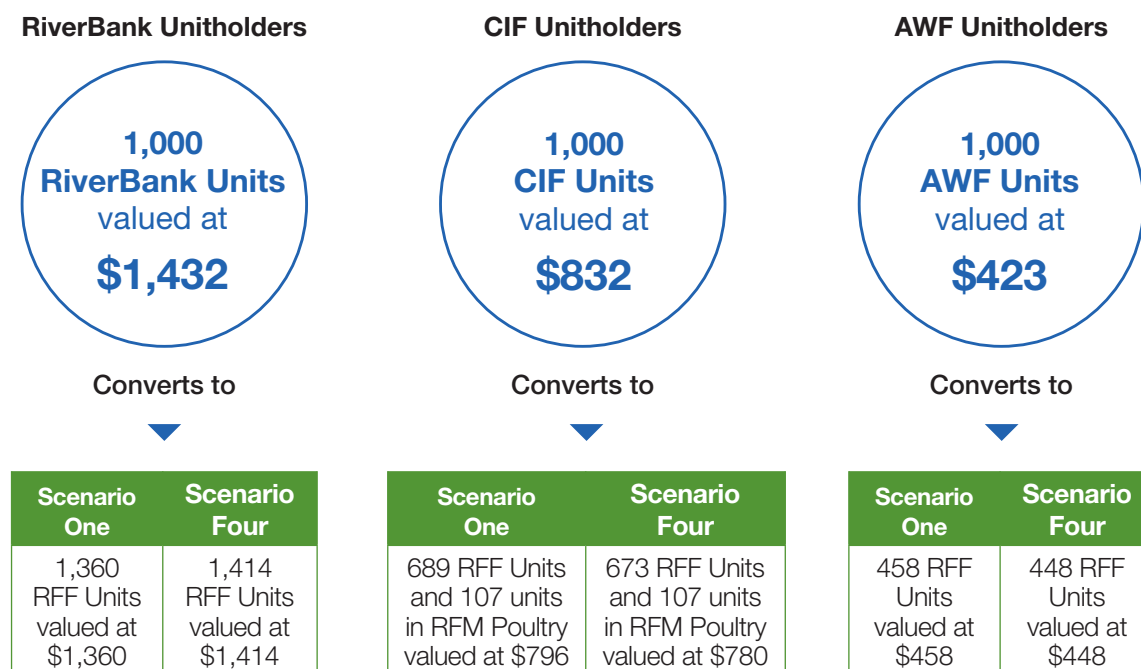


Figure 3 compares the forecast percentage of ownership under the two scenarios.

Figure 3: Comparison of percentage ownership

	EM	Scenario One	Scenario Four
RiverBank	37.1%	36.9%	38.3%
CIF	36.1%	36.3%	35.5%
AWF	26.8%	26.8%	26.2%

Figure 4 outlines the calculation of the ownership based on the forecast NAV's to 10 December 2013. Figure 4 replaces Figure 9.25 in the EM.

Figure 4: Calculation of ownership in RFF

Entity	Current units on issue '000	Forecast NAV 10 Dec 2013 \$'000	RFMP \$'000	Premium \$'000	Forecast Merger NAV \$'000	% Forecast Ownership RFF
		Note 1	Note 2	Note 3		
RiverBank	32,748	46,899			46,899	36.9%
CIF	63,662	52,969	(6,800)		46,169	36.3%
AWF	70,663	29,858		4,251	34,109	26.8%
Total					127,177	

Notes to Figure 4:

1. NAV based on accounting forecasts to 10 December 2013. The NAV is inclusive of the special distribution paid in November 2013 and the transaction costs borne by each Fund during the forecast period. The RiverBank forecast NAV includes a valuation decrement of \$1.2 million compared to the EM, relating to the non performance of a lease relating to an olive orchard owned by RiverBank.
2. Distribution from CIF to create RFM Poultry.
3. The AWF premium as disclosed in the EM of \$4.5 million adjusted for movements in asset values to 10 December 2013 – a decrease of \$0.26 million after tax, which has now been recognised in the NAV of AWF.

Figures 5 and 6 show the number of Units that would be issued in RFF based on the forecast 10 December 2013 NAV multiplied by the allocation of ownership of the total assets of RFF as between the three Funds. Figures 5 and 6 replace Figure 9.26 in the EM.

Figure 5: Issue of RiverBank Units based on Scenario One and conversion to \$1 unit price

Entity	Forecast Merger NAV \$'000	RiverBank Application Price \$ per unit	Issue RiverBank Units \$	Total RiverBank/ RFF Units '000	\$ share of RFF NAV at Implementation Date \$'000	Forecast RFF Units on issue '000
		Note 1	Note 2		Note 3	Note 4
RiverBank	46,899			32,748	44,540	44,540
CIF	46,169	1.4318	32,245	32,245	43,848	43,848
AWF	34,109	1.4318	23,822	23,822	32,393	32,393
Total	127,177			88,816	120,781	120,781

Notes to Figure 5:

1. The RiverBank AP is calculated in accordance with clause 4 of the constitution. CTCs are adjusted to ensure an equitable share of the Revaluation transaction expenses.
2. RiverBank issues units to the CIF and AWF by dividing the AP into their respective forecast merger NAV's.
3. The forecast NAV of RFF is \$120.8 million at the assumed Implementation Date of 10 December 2013. This is allocated to the Unitholders of the antecedent funds based on the ownership portion set out in Figure 3
4. The forecast Unit Price at the assumed Implementation Date is the RFF NAV of \$120.8 million divided by 88.8 million units which is \$1.3598. RFM intends to convert the RFF units at commencement to \$1 by applying a factor of 1.3598 to the existing RiverBank units to create 120.8 million units.

Figure 6: Issue of RiverBank Units based on Scenario Four and conversion to \$1 unit price

Entity	Forecast Merger NAV \$'000	RiverBank Application Price \$ PER UNIT	Issue RiverBank Units \$	Total RiverBank/ RFF Units '000	\$ share of RFF NAV at Implementation Date \$'000	Forecast RFF Units on issue '000
		Note 1	Note 2		Note 3	Note 4
RiverBank	46,899			32,748	46,292	46,292
CIF	46,169	1.5235	30,305	30,305	42,840	42,840
AWF	34,109	1.5235	22,389	22,389	31,649	31,649
Total	127,177			85,442	120,781	120,781

Notes to Figure 6:

1. The RiverBank AP is calculated in accordance with clause 4 of the constitution. The CTCs used in the calculation are RFM's reasonable estimate of the actual amount necessary to avoid an adverse impact on RiverBank Unitholders because of the acquisition of CIF and AWF Units.
2. RiverBank issues units to the CIF and AWF by dividing the AP into their respective forecast merger NAV's.
3. The forecast NAV of RFF is \$120.8 million at the assumed Implementation Date of 10 December 2013. This is allocated to the Unitholders of the antecedent funds based on the ownership portion set out in Figure 3.
4. The forecast Unit Price at the assumed Implementation Date is the RFF NAV of \$120.8 million divided by 85.4 million units which is \$1.4135. RFM intends to convert the RFF units at commencement to \$1 by applying a factor of 1.4135 to the existing RiverBank units to create 120.8 million units.

Figure 7 sets out the forecast transaction costs under both scenarios on a pre-tax basis. Expenses include stamp duty and the loss of deferred tax assets.

The forecast allocation in Figure 7 is based on the actual costs incurred to October 2013 and forecast cost through to the Implementation Date.

Figure 7: Transaction Costs

Entity	Scenario One \$'000	Scenario Four \$'000
RiverBank	1,983	-
CIF	1,953	3,093
AWF	1,443	2,285
Total	5,379	5,379

Figure 8 replaces Figure 9.22 in the EM and updates information in section 1.5 of the EM.

Figure 8: RFF key financial metrics

	Notes	Forecast 7 mths ending 30 June 2014	Forecast 12 mths ending 30 June 2015
Units on issue ('000)	1	120,781	119,527
Earnings per unit (EPU)	2	\$0.0474	\$0.0756
Funds from operations (FFO) pre tax ('000)	3	\$4,567	\$11,153
FFO per Unit	4	\$0.0390	\$0.0933
Forecast distributions per Unit (including franking)		\$0.0618	\$0.0840
Forecast distributions per Unit (excluding franking)		\$0.0618	\$0.0719
Payout ratio (FFO)	5	158%	90%
Starting NAV per Unit		\$1.00	\$0.99
Closing NAV per Unit		\$0.99	\$0.99
Starting loan security ratio (LSR)		41.2%	41.1%
Closing LSR		41.1%	40.5%
Interest cover	6	3.23	3.02
Indirect cost ratio (ICR)		2.25%	2.25%
Weighted average lease expiry (WALE) (years)		14	13

Notes and specific assumptions to Figure 8:

1. Units on issue at the beginning of forecast period.
2. Total comprehensive income attributable to Unitholders divided by Units on issue.
3. Funds from operations is the total forecast pre tax operating cash flow for the period. The reduction in the forecast 7 months ending 30 June 2014 is due to a quarterly rental payment falling outside the forecast period.
4. FFO divided by average units on issue.
5. Distributions per unit including franking divided by FFO. 7 months ending 30 June 2014 excludes the payment of a special distribution.
6. Interest cover is earnings before interest, taxes, depreciation and amortisation (EBITDA) less increase in value of biological assets and unrealised gain (loss) on investment properties divided by core interest payments.
7. The financial forecast is based on a number of best estimate assumptions and these best estimate assumptions are subject to change.

3.2 Forecast returns

The returns for RFF for the 9 months ending FY2014 and FY2015 described in Figures 1.5 to 1.7, and Figures 9.4, 9.10 and 9.16 of the EM will be different. Further detail is set out in table 9 of the supplementary Independent Expert Report attached to this document.

3.3 AWF premium

The EM provided that the conversion rate for AWF Unitholders would be at a 15% premium to the net asset value of AWF assets at 30 June 2013 based on the

audited accounts of AWF. This value was applied based on the assessment by RFM as responsible entity of RiverBank as to the arm's length value of the AWF assets at the likely date of implementation of the Merger.

The premium applied is a fixed premium as at 30 June 2013. If on the Implementation Date the current asset value of AWF has increased (decreased) any premium as a percentage of the current asset value of AWF on the Implementation Date may decrease (increase). However, the premium remains fixed at 15% of the NAV of the AWF assets at 30 June 2013. See note 3 to Figure 4 for further explanation.

4 Related Parties

Unitholders should note that entities associated with two of the directors hold Units in the Funds as detailed in Sections 13.2 and 13.3 of the EM. RFM also holds Units in each of the Funds in its personal capacity. These entities, whilst related parties, will receive the same consideration as all other Unitholders and the directors of RFM are satisfied the terms of the Merger and consideration received are on an arm's length basis. RFM does not receive any fees for implementing the Merger.