

RIVERBANK SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

About this Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement is dated 27 November 2013 (**this SPDS**) and is supplementary to the RFM RiverBank (**RiverBank**) ARSN 112 951 578 Product Disclosure Statement (**PDS**) dated 21 October 2013 issued by Rural Funds Management Limited (**RFM**). All prospective investors are required to read this SPDS.

This SPDS must be read in conjunction with the PDS and unless otherwise specifically defined in this SPDS, terms defined in the PDS have the same meaning when used in this SPDS. ASIC takes no responsibility for the contents of this SPDS. The directors of RFM have authorised the issue of this SPDS.

The information below is to supplement and amend information presently contained in the PDS.

1 Corrective Disclosure

1.1 Calculation of merger ratios

The PDS 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 PDS 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 the Merger, this is on the Implementation Date, being a date after the passing of the resolutions.

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

1. The AP should have been priced on a prospective basis, after the passing of the resolutions, rather than fixed as disclosed in the PDS.
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 PDS. 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 is as follows.

1.2 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 the Merger 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 the Merger.

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 the Merger 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 the Merger 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 and 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 CTCs which have been used are RFM's reasonable estimate of the actual amount necessary to avoid an adverse impact on RiverBank Unitholders arising from the acquisition of CIF and AWF Units (**Scenario Four**). 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 CTC's 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.

2 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 3 and 4.

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 4 and 5).

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

In the examples set out in Figures 1 to 5, 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 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 1 demonstrates and compares the exchange rate of 1 Unit held in CIF and AWF for 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, the Merger 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 Merger.

Figure 1 updates the exchange rate information contained in Figure 1 of the PDS.

Figure 1: Exchange rate example for 1 Unit held

	Scenario One		Scenario Four	
	CIF	AWF	CIF	AWF
RiverBank AP	1.4318	1.4318	1.5235	1.5235
Fund Unit Price	0.7252	0.4827	0.7252	0.4827
RiverBank Units received per existing fund unit	0.5065	0.3371	0.4760	0.3168
Value of 1,000 Units	\$689	\$458	\$673	\$448

Figure 2 compares the forecast percentage of ownership under the two scenarios.

Figure 2: Comparison of percentage ownership

	PDS	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 3 outlines the calculation of the ownership based on the forecast NAV's to 10 December 2013. Figure 3 replaces Figure 44 in the PDS.

Figure 3: 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 3:

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 PDS, 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 PDS 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 4 and 5 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 4 and 5 replace Figure 45 in the PDS.

Figure 4: 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 4:

1. The RiverBank AP is calculated in accordance with clause 4 of the constitution. CTCs are adjusted to ensure an equitable share of the Merger 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 2.
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 5: 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 5

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 2.
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 6 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 6 is based on the actual costs incurred to October 2013 and forecast cost through to the Implementation Date.

Figure 6: Transaction Costs

	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 7 replaces Figure 41 in the PDS.

Figure 7: 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 7:

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.

2.2 Forecast returns

The returns for RFF for the 9 months ending FY2014 and FY2015 described in Figures 23, 29 and 35 of the PDS will be different. Further detail is set out in Figure 8.

Figure 8: Comparison of RFF and stand-alone forecast returns

	Distribution FY14	Growth FY14	Total Return FY14	Distribution FY15	Growth FY15	Total Return FY15
RiverBank						
Stand-alone	4.19%	0.19%	4.38%	5.63%	1.79%	7.42%
Scenario One	7.88%	(8.00%)	(0.11%)	8.84%	0.37%	9.21%
Scenario Four	8.20%	(4.38%)	3.82%	8.84%	0.37%	9.21%
CIF						
Stand-alone	7.00%	(2.41%)	4.59%	11.34%	(4.43%)	6.91%
Scenario One	7.88%	(6.89%)	0.99%	9.69%	0.48%	10.17%
Scenario Four	7.72%	(8.74%)	(1.02%)	9.71%	0.48%	10.18%
AWF						
Stand-alone	5.17%	(0.67%)	4.50%	4.89%	1.60%	6.49%
Scenario One	8.99%	4.90%	13.89%	8.84%	0.37%	9.21%
Scenario Four	8.78%	2.49%	11.28%	8.84%	0.37%	9.21%

Notes to Figure 8:

1. % returns are calculated in accordance with FSC Standards and assume reinvestment of distributions. Distributions are based on RFM assumptions and are not guaranteed.
2. The RFF returns assume that Revaluation takes effect on 10 December 2013 and thus the FY14 returns are based on 7 months to 30 June 2014 and are not annualised.
3. RFF comparison to CIF includes returns from RFMP. See Section 12 of the RFMP Product Disclosure Statement dated 21 October 2013.
4. The financial forecast is based on a number of best estimate assumptions which are subject to change.

2.3 AWF premium

The PDS 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 3 for further explanation.