

Rural Funds Group (RFF)



Rural Funds Management Ltd
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ASX Release

Subject: RFF executes lease with Olam Orchards Australia Pty Ltd

Rural Funds Management Limited (RFM), as responsible entity of the Rural Funds Group (RFF), is pleased to announce the execution a 22 year lease with Olam Orchards Australia Pty Ltd to develop and operate a 600 hectare almond orchard on its Tocabil property located near Hillston, in central west New South Wales. The Tocabil property was RFF's first property acquisition since listing, and was settled on 31 October 2014.

The orchard development will commence immediately and will cost approximately \$27m. Funding of the development is likely to be a combination of equity, debt and retained earnings and further details regarding the funding will be advised once finalised.

The key features of the lease are:

- 22 year lease to Olam Orchards Australia Pty Ltd, increasing RFF's weighted average lease expiry from 12.2 years to 13.4 years;
- Almond plantings of 600ha. It is expected 400ha will be planted in the first year, with the balance to be planted in the second year;
- RFF to secure additional permanent water entitlements prior to commencement of planting;
- Conditional on finalisation of initial development funding and Foreign Investment Review Board approval;
- Not anticipated to have a material impact of FY2015 funds from operations. The Directors reaffirm the forecasts provided in February 2015; and
- The lease rate is consistent with the existing RFF portfolio, and is payable on the value of all capital expenditure, including all orchard maintenance costs incurred by RFF for the first four years, and is indexed in accordance with CPI.



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David Bryant, RFM Managing Director, said, "This is a measured step in growing the value of RFF's portfolio of agricultural assets. The conversion of Tocabil Station from a mixed farming enterprise into a high value almond orchard, plus the long term tenure of the lease, make this development a significant transaction for RFF."

About Rural Funds Group (RFF)

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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