
Offer Booklet

Issuer

Rural Funds Management Limited
ACN 077 492 838, AFSL no. 226701

as responsible entity of
the Rural Funds Trust ARSN 112 951 578
and RF Active ARSN 168 740 805 trading as

Rural Funds Group (ASX: RFF)

2 for 13 pro rata non-renounceable entitlement offer at
\$1.10 per Unit.

**Last date for acceptance and payment: 5.00pm
(AEDT) on 21 October 2015.**

If you are an Eligible Unitholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document, you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

NOT FOR DISTRIBUTION OR RELEASE
IN THE UNITED STATES

Joint Lead Managers and Underwriters

Wilson HTM Corporate Finance Ltd ACN 057 547 323
and Bell Potter Securities Limited ACN 006 390 772

Issue Date: 28 September 2015



Important notice

This Offer Booklet is issued by Rural Funds Management Limited (ABN 65 077 492 838) (the “**Responsible Entity**” or “**RFM**”) as the Responsible Entity of the Rural Funds Group (“**RFF**” or the “**Fund**”) and is dated 28 September 2015.

This Offer Booklet and the Entitlement and Acceptance Form are important and require your immediate attention. You should read these documents carefully and in their entirety, before deciding whether or not to participate in the Entitlement Offer.

You should consider the risk factors outlined in the Investor Presentation, which is included in this Offer Booklet at section 3, and the tax implications outlined in section 4 of this Offer Booklet. The potential tax effects of the Entitlement Offer will vary between individual investors, and each investor should seek their own professional taxation advice before deciding whether or not to participate in the Entitlement Offer. The information provided in this Offer Booklet does not constitute financial product advice.

Neither this Offer Booklet nor the Entitlement and Acceptance Form is a product disclosure statement for the purposes of the *Corporations Act*. Accordingly, these documents do not contain all of the information which a prospective investor may require to make an investment decision. They do not, and are not required to, contain all of the information which would otherwise be required to be disclosed in a product disclosure statement. They are not required to be, and will not be, lodged with ASIC.

The Offer Booklet should be read in conjunction with RFF’s continuous disclosure announcements made to the ASX available at www.asx.com.au.

The Responsible Entity does not give any undertaking or representation that information in this Offer Booklet will be updated, except to the minimum extent required by law. Neither the Responsible Entity nor any other person warrants or guarantees the future performance of RFF or any return on any investment made under this Offer Booklet.

Past performance

Investors should note that RFF’s past performance, including past unit price performance, cannot be relied upon as an indicator of (and provides no guidance as to) RFF’s future performance including RFF’s future financial position or unit price performance.

Forward looking statements

This Offer Booklet contains certain ‘forward looking statements’. Forward looking statements include those containing words such as: ‘anticipate’, ‘believe’, ‘expect’, ‘project’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, and other similar expressions. Any forward looking statements, opinions and estimates provided in this Offer Booklet are based on assumptions and are subject to change without notice and involve known or unknown risk and uncertainties and other factors which are beyond the control of the Responsible Entity.

Forward looking statements may include indications, projections, forecasts and guidance on earnings, distributions and other estimates. Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements, and, except as required by law or regulations, the Responsible Entity assumes no obligation to update these forward looking statements. To the maximum extent permitted by law, the Responsible Entity, the Underwriters and their directors, officers, employees, agents, associates and advisers disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in the expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward looking statement or any event or results expressed or implied in any forward looking statement, and disclaim all responsibility and liability for these forward looking statements (including, without limitation, liability for negligence).

Risks

Refer to the 'Risk factors' section of the Investor Presentation included in section 3 of this Offer Booklet for a summary of general and specific risk factors that may affect RFF.

Financial information

Unless otherwise stated, all numbers in this Offer Booklet are in AUD\$ and financial data is presented as at 30 June 2015.

Times and dates

Times and dates in this Offer Booklet are indicative only and subject to change. All times and dates refer to Australian Eastern Daylight Savings Time (**AEDT**). Refer to the "Key Dates" section of this Offer Booklet for more details.

No overseas registration

This Offer Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units or the Offer, or to otherwise permit a public offering of Units, in any jurisdiction outside Australia and New Zealand. The distribution of this Offer Booklet (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Offer Booklet outside Australia or New Zealand should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws. In particular, the Units have not been, and will not be, registered under the *US Securities Act 1933 (US Securities Act)*, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (as defined in *Regulation S* under the *US Securities Act*) unless the Units are registered under the *US Securities Act*, or an exemption from the registration requirements of the *US Securities Act* is available.

The Investor Presentation, included in this Offer Booklet at section 3, contains other important notices, disclaimers and acknowledgements.

Please see page 47 of this Offer Booklet (inside back cover of this Offer Booklet) for important Eligible Unitholder declarations in relation to the Entitlement Offer.

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Contact details

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Email (advisers)	adviserservices@ruralfunds.com.au
Phone (investors)	1800 026 665
Phone (advisers)	1300 880 295
Fax	1800 625 518
Postal	Locked Bag 150 Kingston ACT 2604

Enquiries

If you have any questions, please consult your financial adviser or other professional adviser, or call Rural Funds Management on 1800 026 665 (within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEDT), Monday to Friday.

Summary of the Entitlement Offer

Ratio	2 New Units for every 13 Existing Units
Issue Price	\$1.10 per New Unit
Size	Approximately 20,366,832 New Units
Gross proceeds	Approximately \$22.4 million

Key Dates

Event	Date
Announcement of the Entitlement Offer	Monday, 28 September 2015
Ex-date	Wednesday, 30 September 2015
Record Date for Entitlement Offer	Friday, 2 October 2015
Entitlement Offer opens — Offer Booklet and personalised Entitlement and Acceptance Forms sent to all Eligible Unitholders	Wednesday, 7 October 2015
Entitlement Offer closes (Closing Date)	Wednesday, 21 October 2015
New Units quoted on deferred settlement basis	Thursday, 22 October 2015
Announcement of results of Entitlement Offer and under-subscriptions	Friday, 23 October 2015
Settlement of New Units issued pursuant to the Entitlement Offer	Tuesday, 27 October 2015
Allotment of New Units issued under Entitlement Offer	Wednesday, 28 October 2015
Dispatch of holding statements	Wednesday, 28 October 2015
Expected date for trading of New Units	Thursday, 29 October 2015

This timetable is indicative only and subject to change. The Responsible Entity may vary these dates, in consultation with the Underwriters, subject to the Listing Rules. The last day for extension of the Closing Date is Friday, 16 October 2015. An extension of the Closing Date will delay the anticipated date for issue of the New Units.

The Responsible Entity also reserves the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Unit. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Capital structure

Subject to rounding down of fractional Entitlements, the equity structure of RFF following the issue of New Units is expected to be as follows:

Units on issue as at 28 September 2015 (announcement of the Entitlement Offer)	132,384,411
New Units to be issued under the Entitlement Offer and Placement	31,818,182
Units on issue after the Placement and Entitlement Offer	164,202,593

Placement

New Units subscribed for under the Placement are not eligible to participate in the Entitlement Offer.

Underwriting

The Entitlement Offer is fully underwritten by Wilson HTM Corporate Finance Ltd and Bell Potter Securities Limited.

Risks

The major risks associated with an investment in RFF are set out in the Investor Presentation in section 3 of this Offer Booklet.

What should you do?

1. Read this offer booklet and the accompanying Entitlement and Acceptance Form

This Offer Booklet and the accompanying personalised Entitlement and Acceptance Form contain important information about the Entitlement Offer. You should read them carefully and in their entirety before deciding whether or not to participate in the Entitlement Offer.

The Entitlement Offer is not being made under a product disclosure statement and therefore does not contain all of the information that must be disclosed in a product disclosure statement. The Entitlement Offer is being made pursuant to provisions of the *Corporations Act*, which allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Entitlement Offer, when read with this Offer Booklet and the accompanying information, is publicly available. You should read the publicly available information on the Fund and the Entitlement Offer (for example, available on www.ruralfunds.com.au/rural-funds-group/ or www.asx.com.au) prior to deciding whether to accept your Entitlement and apply for New Units.

2. Consider the Entitlement Offer in light of your particular investment objectives and circumstances

An investment in New Units is subject to investment risks as well as other known and unknown risks, some of which are beyond the control of the Responsible Entity, including the possible loss of income and principal invested. The Responsible Entity does not guarantee any particular rate of return or the performance of the Fund, nor does it guarantee the repayment of capital from the Fund or any particular tax treatment. In considering an investment in New Units, investors should have regard to (amongst other things) the “Key Risks” section in the Investor Presentation located at section 3 and the disclaimers outlined in this Offer Booklet.

The Responsible Entity recommends that you seek appropriate professional advice before making an investment decision.

3. What are your options?

If you are an Eligible Unitholder, you have three options. You may subscribe for all, some, or none of your Entitlement.

The Responsible Entity is also offering Eligible Unitholders the opportunity to apply for Additional New Units beyond their Entitlement. Additional New Units may be made available to those Eligible Unitholders who took up their full Entitlement and applied for Additional New Units. There is no cap on the number of Additional New Units that Eligible Unitholders may apply for however, there is no guarantee that such Unitholders will receive all or any of the Additional New Units that they applied for. The Board reserves the right to allot and issue Additional New Units at its discretion.

Allotment of Additional New Units will take place along with allotment of New Units offered under the Entitlement Offer on 28 October 2015.

Eligible Unitholders who do not participate in the Entitlement Offer, or participate for an amount less than their Entitlement, will have their percentage holding in the Fund reduced.

Eligible Unitholders who participate in the Entitlement Offer will see their percentage holding in the Fund reduce, increase or stay the same depending on the proportion of their Entitlement they subscribe for, the Additional New Units that they are allocated at the sole discretion of the Responsible Entity, and the total number of New Units issued under the Entitlement Offer.

This is a non-renounceable Entitlement Offer, and Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately.

4. Apply for new units

To participate in the Entitlement Offer, you must either lodge a valid Entitlement and Acceptance Form and Applicable Monies for New Units, or make a payment via BPAY, in either case before 5.00pm (AEDT) on 21 October 2015. If you take no action, your Entitlement under the Entitlement Offer will lapse.

5. Questions

If you have any questions relating to the Entitlement Offer, you can contact Rural Funds Management Limited on 1800 026 665 (within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEDT), Monday to Friday.

1. Overview of the Offer

1.1 Overview

RFF is a stapled security comprising two trusts: Rural Funds Trust and RF Active. Rural Funds Trust holds the majority of RFF's assets including the agricultural land, water and infrastructure from which it derives a passive income stream. RF Active holds around 3% of RFF's assets, comprising plant and equipment and units in RFM StockBank, a fund managed by RFM. RF Active assets are considered to be operational in nature.

RFM, as the Responsible Entity of RFF, intends to raise approximately \$35 million through a \$12.6 million Placement and \$22.4 million Entitlement Offer. The Placement will be complete on 6 October 2015 at an issue price of \$1.10 per Unit. Under the Entitlement Offer, the Responsible Entity is offering Eligible Unitholders the opportunity to subscribe for 2 New Units for every 13 Existing Units held on the Record Date. The issue price per New Unit is \$1.10. The Entitlement Offer is non-renounceable, which means that the Entitlements are non-transferable and cannot be sold or traded.

Information regarding the Entitlement Offer is contained in the ASX Announcement and the Investor Presentation at section 3 of this Offer Booklet.

1.2 Entitlement Offer

Eligible Unitholders are being sent this Offer Booklet with a personalised Entitlement and Acceptance Form so that they may subscribe for all or part of their Entitlement.

Eligible Unitholders have the opportunity to apply for Additional New Units above their Entitlement. Allotment of Additional New Units and any scale back of these Units is at the sole discretion of the Responsible Entity. Allotment of Additional New Units will take place along with allotment of New Units offered under the Entitlement Offer on 28 October 2015.

The Entitlement Offer constitutes an offer only to Eligible Unitholders, being Unitholders on the Record Date who have a registered address in Australia or New Zealand, and are eligible under all applicable laws to receive an offer under the Entitlement Offer.

Eligible Unitholders have the opportunity to be allotted New Units up to their Entitlement if they submit an Application and their relevant Application Monies are received in cleared funds by 5.00pm (AEDT) on 21 October 2015 in accordance with their Entitlement and Acceptance Form. Otherwise, the Entitlement Offer closes at 5.00pm (AEDT) on 21 October 2015, with New Units to be allotted on 28 October 2015.

The Entitlement Offer is fully underwritten, and seeks to raise approximately \$22.4 million.

1.3 Ranking of New Units

New Units will be issued on a fully paid basis and will rank equally with Existing Units.

1.4 Reconciliation and rounding

The Responsible Entity may need to issue a small quantity of Additional New Units to ensure all Eligible Unitholders have the opportunity to receive their full Entitlement. The price, at which these Units will be issued, will be the same as the offer price (\$1.10).

The Responsible Entity may reduce the number of New Units allocated to Eligible Unitholders if their Entitlement claims prove to be overstated.

To the extent that application of the offer ratio of 2 New Units for every 13 Existing Units results in a fractional entitlement to New Units for a particular Unitholder, that Unitholder's Entitlement shall be rounded down to the next whole number of New Units.

1.5 Control

Whilst some existing Unitholders may take a sub-underwriting position for the Entitlement Offer, RFM does not consider the issue of the New Units under the Entitlement Offer will have a material impact on the control of the Rural Funds Group.

1.6 Underwriting

The Entitlement Offer is fully underwritten by Wilson HTM Corporate Finance Ltd and Bell Potter Securities Limited. See section 5.11 for further information regarding the underwriting arrangements.

1.7 Use of funds

Proceeds from the Offer will be used to fund the purchase of the Kerarbury and Kamelda properties (collectively known as “Kerarbury”) and water entitlements. RFF debt facilities will be drawn down to provide funding for the almond orchard development.

RFF has an option to acquire Kerarbury and associated water entitlements of 6,575 ML for a total of \$19.3 million. Kerarbury covers an area of 7,756 ha and is located 50 kms south of Griffith, NSW, in close proximity to RFF’s existing almond orchards.

Olam Orchards Australia Pty Ltd (“Olam”) has entered into a 22.75 year lease with RFF to develop and operate an almond orchard on Kerarbury. The almond development will see RFF incur capital expenditure of approximately \$109.5 million over five years, resulting in the development of 1,500 ha of almond orchard. The Placement and Entitlement Offer provides \$35 million towards the funding package for the acquisition and development of Kerarbury, with remaining funds sourced from a combination of debt and retained earnings. The Responsible Entity does not anticipate additional equity will be required to complete the 1,500 ha almond development and is forecasting capital expenditure associated with the development of approximately \$49.5 million in FY2016.

The lease currently allows for the development of a 1,500 ha almond orchard in 2016, and additional suitable land has been identified to plant a further 1,000 ha, for a total of 2,500 ha. Additional development may occur on Kerarbury, subject to funding and water availability.

RFM intends to sublease surplus grazing land and, depending on water availability, surplus dry cropping land.

1.8 Allotment

It is expected that allotment of the New Units under the Entitlement Offer will take place no more than five business days after the close of the Entitlement Offer.

Application Monies will be held by the Responsible Entity on trust for applicants until the New Units are allotted. No interest will be paid on Application Monies.

It is the responsibility of applicants to determine the number of New Units allotted and issued to them prior to trading in the New Units. The sale by an Applicant of New Units prior to receiving their holding statement is at the applicant’s own risk.

1.9 Quotation and trading

The Responsible Entity will make an application within seven days from the date of this Offer for quotation of the New Units on the ASX. Subject to ASX approval being granted, it is expected that normal trading of New Units will commence on 29 October 2015.

1.10 Holding statements

Holding statements are expected to be dispatched to Eligible Unitholders on 28 October 2015.

It is the responsibility of each applicant to confirm their holding before trading in New Units. Any applicant who sells New Units before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. The Responsible Entity and the Underwriters disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Units before receiving their holding statements, whether on the basis of confirmation of the allocation provided by the Responsible Entity, the Registry or the Underwriters.

1.11 Withdrawal of the Entitlement Offer

The Responsible Entity reserves the right to withdraw the Entitlement Offer at any time, in which case the Responsible Entity will refund any Application Monies already received in accordance with the *Corporations Act* and will do so without interest.

2. How to apply – Eligible Unitholders

2.1 Eligible Unitholders

An Eligible Unitholder is a person or entity who holds Existing Units on the Record Date and who has a registered address in Australia or New Zealand and are not located in the US and are not a US Person (or a person acting for the account or benefit of a US Person). New Units subscribed for under the Placement are not eligible to participate in the Entitlement Offer.

Eligible Unitholders will receive a personalised Entitlement and Acceptance Form setting out their Entitlement, which accompanies this Offer Booklet.

Eligible Unitholders may:

- take up all or part of their Entitlement or apply for Additional New Units in excess of their Entitlement (refer to section 2.2); or
- do nothing and allow their Entitlement to lapse (refer to section 2.3).

2.2 How can Eligible Unitholders take up their Entitlement?

First of all, you should read this Offer Booklet and the Entitlement and Acceptance Form and seek appropriate professional advice if necessary. If you then wish to take up some or all of your Entitlement or apply for Additional New Units in excess of your Entitlement, there are two different ways you can submit your Application and Application Monies.

2.2.1 Payment via BPAY

To apply and pay via BPAY, you should make your payment in respect of the full Application Monies via BPAY for the number of New Units you wish to subscribe for, being the issue price of \$1.10 per New Unit multiplied by the number of New Units you are applying for, so that it is received by no later than the Closing Date, being 5:00pm (AEDT) on 21 October 2015. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

If you choose to pay via BPAY, you are **not required to submit the Entitlement and Acceptance Form** but are taken to make the statements on that form and representations outlined below in section 2.4 “Implications of making an Application”, including the Eligible Unitholder declarations set out on page 47 of this Offer Booklet (inside back cover of this Offer Booklet).

If you have multiple holdings, you will have multiple BPAY reference numbers. To ensure you receive your Entitlement in respect of that holding, you must use the reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Units that you wish to apply for in respect of that holding.

Please be aware of cut off times with regards to electronic payment. These vary between financial institutions, and you should take this into consideration when making payment of Application Monies.

If the amount of Application Monies is insufficient to pay in full for the number of New Units you applied for, you will be taken to have applied for such whole number of New Units which is covered in full by your Application Monies. Alternatively, your application will be rejected.

If you apply for Additional New Units in excess of your Entitlement and you are not allocated all or some of the Additional New Units applied for, the relevant Application Monies will be refunded to you after the Allotment Date in accordance with the *Corporations Act*, without interest. The allotment of Additional New Units will be at the sole discretion of the Responsible Entity and is subject to scale back.

2.2.2 Submit your completed Entitlement and Acceptance Form together with cheque, bank draft or money order for all Application Monies

To apply and pay by cheque, bank draft or money order, you should complete the personalised Entitlement and Acceptance Form accompanying this Entitlement Offer indicating the number of New Units you wish to subscribe for. The form must be returned to the Registry (address details below) together with a cheque, bank draft or money order, which must be:

- in respect of the full Application Monies (being \$1.10 multiplied by the number of New Units you wish to subscribe for);
- in Australian currency drawn on an Australian branch of a financial institution; and
- made payable to 'Rural Funds Group' and crossed 'Not Negotiable'.

Cash payments will not be accepted. Receipts for payment will not be issued.

If you wish to be allotted New Units, your Entitlement and Acceptance Form and your Application Monies in cleared funds must be received by the Registry by no later than the Closing Date, being 5:00pm (AEDT) on 21 October 2015. Entitlement and Acceptance Forms (and payments for Application Monies) will not be accepted after the Closing Date and no New Units will be issued to you in respect of that Application.

You need to ensure that your completed Entitlement and Acceptance Form and a cheque, bank draft or money order in respect of the full Application Monies reaches the Registry at the following address:

Postal Address

Rural Funds Group Offer
Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

For the convenience of Eligible Unitholders, a reply paid envelope addressed to the Registry has been enclosed with this Offer Booklet.

Do **not** send your Entitlement and Acceptance Forms (and payments for any Application Monies) to the Responsible Entity's registered or corporate offices.

Note that if you have more than one holding of Units, you will be sent more than one personalised Entitlement and Acceptance Form, and you will have separate Entitlements for each separate holding. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.

2.3 Take no action and allow all of your Entitlement to lapse

If you are an Eligible Unitholder and you do nothing, the Entitlement Offer will lapse in respect of your Units. If this occurs, then your percentage unitholding in the Fund will be reduced.

2.4 Implications of making an Application

Returning a completed Entitlement and Acceptance Form or paying any Application Monies for New Units via BPAY will be taken to constitute a representation by the Eligible Unitholder that they:

- have received a copy of this Offer Booklet accompanying the Entitlement and Acceptance Form, and read them in their entirety;
- have made the Eligible Unitholder declarations set out below at page 47 of this Offer Booklet (inside back cover of this Offer Booklet); and
- acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law.

2.5 Enquiries

This Offer Booklet and the accompanying Entitlement and Acceptance Form are important and require your immediate attention. You should read them in their entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser. If you:

- have questions in relation to the Existing Units upon which your Entitlement has been calculated;
- have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement; or
- you have lost your Entitlement and Acceptance Form and would like a replacement form;

please call Rural Funds Management on 1800 026 665 (within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEDT), Monday to Friday.

3. ASX Announcement and presentation

Rural Funds Group (RFF)



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28 September 2015

ASX Release

Subject: Successful completion of placement

Rural Funds Management Limited (RFM) as responsible entity and manager of the Rural Funds Group (RFF) is pleased to announce the successful completion of a Placement, raising approximately \$12.6 million through the issue of 11,451,350 fully paid stapled securities (**Placement Units**) to institutional and sophisticated investors at an issue price of \$1.10 per unit (**Placement**).

The Placement was substantially oversubscribed with strong, broad based support from Rural Funds Group's existing institutional investors, as well as a number of new institutional investors.

Mr David Bryant, Managing Director of Rural Funds Management said: "The Board is pleased to welcome a number of new institutions to RFF's register as we grow our portfolio of quality agricultural assets. The response to the Placement demonstrates increasing market awareness of RFF's ability to provide investors with the benefits of owning Australian agriculture land and water, without the direct exposure to operating risk. We view this as confirmation of RFF's strategy to continue to focus on owning large scale, quality assets and partnering with large and experienced tenants".

Settlement of the Placement is scheduled to occur on Friday, 2 October 2015, with the Placement Units being allotted and quoted on the Australian Securities Exchange on Tuesday, 6 October 2015.

Details of the Placement

The Placement to institutional and sophisticated investor clients of Wilson HTM Corporate Finance Ltd and Bell Potter Securities Limited has been conducted within the 15% placement capacity of RFF. Placement Units will not be eligible to participate in the Entitlement Offer, as they will be issued after the record date for the Entitlement Offer.

Underwritten Entitlement Offer

The manager is today launching a fully underwritten, non-renounceable entitlement offer to eligible unitholders, to raise approximately \$22.4 million. Eligible unitholders will be able to subscribe for 2 new, fully paid stapled securities (each an **Entitlement Unit**) for every 13 RFF units held on the unit register as at 7:00pm (AEDT) on 2 October 2015, at an issue price of \$1.10, being the same price as the Placement.

The Offer Price represents:

- 2.7% discount to the closing price of \$1.13 per unit on 23 September 2015, being the last trading day before the announcement of the Placement and Entitlement Offer;
- 2.5% discount to the volume weighted average trading price of RFF units on ASX during the 5 trading days up to and including 23 September 2015 (\$1.1281 per unit);
- 2.0% discount to the theoretical ex-rights price¹; and
- 8.1% forecast FY16 distribution yield based on RFF's FY16 guidance of 8.93 cpu.

Wilson HTM Corporate Finance Ltd and Bell Potter Securities Limited are the Joint Lead Managers and Bookrunners to the Placement and Entitlement Offer, and are the Underwriters of the Entitlement Offer.

Use of Funds

The equity, raised under the Placement and the Entitlement Offer together with debt and retained earnings, will be used to acquire Kerarbury and Kamelda properties (collectively referred to as Kerarbury) and to develop a 1,500 hectare almond orchard over the next five years at a total cost of \$109 million. This announcement follows the manager's advice of 21 September 2015, advising that Olam Australia Pty Ltd had entered into a 22.75 year lease with RFF to develop and operate a 1,500 hectare almond orchard on Kerarbury.

Details of the Entitlement Offer

The Entitlement Offer is non-renounceable and is fully underwritten. Entitlement Units issued under the Entitlement Offer will rank equally with existing RFF units in all respects. As the Entitlement Offer is non-renounceable, unitholders will be unable to trade their rights to participate in the Entitlement Offer on the ASX.

Key dates of the Entitlement Offer are provided in the timetable section below. Eligible unitholders will be invited to participate in the Entitlement Offer, which will open on Wednesday, 7 October 2015 and close at 5:00pm (AEDT) Wednesday, 21 October 2015.

The Entitlement Offer is open to eligible unitholders, being persons who are registered holders of existing RFF units at 7:00pm (AEDT), Friday, 2 October 2015 and have a registered address in Australia or New Zealand. In limited circumstances, RFF may elect to treat unitholders in other jurisdictions as eligible unitholders, provided RFF is satisfied that it is not precluded from lawfully issuing Entitlement Units to such unitholders, either unconditionally or after compliance with conditions which the Responsible Entity in its sole discretion regards as acceptable and not unduly onerous.

Eligible unitholders may apply for additional Entitlement Units under the Entitlement Offer in excess of their entitlement. All applications for such additional Entitlement Units will be allocated in accordance with the terms in the Offer Document, including the discretion of the manager.

Further details of the Entitlement Offer will be contained in the Offer Booklet which will be dispatched to eligible unitholders in due course.

¹ Theoretical ex-rights price is calculated based on the market capitalisation of RFF based on the volume weighted average trading price of RFF units during the 5 days up to and including 23 September 2015 (\$1.1227 per unit) and is inclusive of the Placement.

Placement Key Dates

Event	Date
RFF units recommence trading after trading halt ends	Monday, 28 September 2015
Settlement of Placement Units	Friday, 2 October 2015
Allotment and trading of Placement Units	Tuesday, 6 October 2015

Entitlement Offer Key Dates

Event	Date
Ex-Entitlement date	Wednesday, 30 September 2015
Record date for determining eligibility to participate in the Entitlement Offer and to determine entitlements	Friday, 2 October 2015
Entitlement Offer Booklet and Entitlement and Acceptance Forms dispatched to eligible unitholders	Wednesday, 7 October 2015
Entitlement Offer opens	Wednesday, 7 October 2015
Entitlement Offer closes – last date for lodgement of Entitlement and Acceptance Forms and payment of application money in full	Wednesday, 21 October 2015
Allotment of Entitlement Units	Wednesday, 28 October 2015
Commencement of normal trading of Entitlement Units on ASX	Thursday, 29 October 2015

Note: the above timetables are indicative only and subject to change. RFF reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend the indicative timetables set out above, or to withdraw the Entitlement Offer at any time.

Please direct any enquiries to RFM Investor Services by telephone on 1800 026 665 or by email at investorservices@ruralfunds.com.au.

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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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Rural Funds Group

(ASX: RFF)

\$35m capital raising & Kerarbury almond orchard development



21 September 2015

Disclaimer

This presentation has been prepared by Rural Funds Management Limited (ACN 077 492 838, AFSL 226701) ("RFM") as the responsible entity of Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), collectively known as the Rural Funds Group ("RFF") in connection with a proposed issue of stapled securities in RFF ("Units") by RFM. This presentation contains summary information about RFF and is dated 21 September 2015. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this presentation, RFM has not considered the investment objectives, financial circumstances or particular needs of any particular recipients.

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- Section 1: RFF overview
- Section 2: Transaction details
- Section 3: Capital raising
- Section 4: Financials
- Section 5: Key risks
- Section 6: Appendices



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1

RFF overview



Introduction

Rural Funds Group is Australia's only listed diversified agricultural REIT

- Rural Funds Management (RFM) is the Manager of the Rural Funds Group ("RFF")
- RFF is an ASX listed REIT investing in Australian agricultural assets
- Diversified portfolio of 29¹ properties deriving revenue from 3 primary agricultural sectors; poultry farms, almond orchards and vineyards
- Owns significant water entitlements, sufficient for the ongoing operation of each key asset. RFF is one of the largest owners of agricultural water entitlements listed on the ASX.
- Long weighted average lease expiry (WALE) of 15.7 years² with 100% occupancy to high quality tenants including Treasury Wine Estates (Penfolds), Olam and Select Harvests
- Indexation and market reviews are forecast to increase the 2017 AFFO
- Owns long duration, income producing assets (almond trees, vines etc) in addition to the underlying land, water and infrastructure
- Minimal exposure to agricultural risk – all tenants have long operating track records, and include some operating large, diversified agribusinesses
- Seeking to raise \$35.0m of equity at \$1.10 per unit (\$12.6m Placement and \$22.4m Entitlement Offer) as part of funding package to acquire Kerarbury, water entitlements and develop a 1,500 ha almond orchard

Asset locations






Notes:

1. Properties include the proposed acquisition of Kerarbury and Kamelda
2. Pro forma WALE calculated as though Kerarbury and Tocabil developments were complete 30 June 2015



Portfolio

Portfolio of long duration agricultural assets, long leases and quality tenants

	Poultry farms	Almond orchards ¹	Vineyards
	\$94.0m	\$115.6m	\$39.4m
Key assets	 <p>13 poultry farms consisting of 134 sheds located in Griffith, NSW and 20 sheds on 4 farms in Lethbridge, VIC. Aged between 6 and 32 years.</p> <p>Griffith assets are located within an 8km radius of the processing facility and contribute ~50% throughput. Limited additional development potential within similar proximity to processing facility.</p> <p>RFM has successfully managed chicken growing operations since 2003, now operated by RFP.</p>	 <p>Two almond orchards located near Hillston, NSW of which 1,221 ha leased to SHV, 551 ha leased to RFM Almond Funds and 42 ha to RFM.</p> <p>Almond trees planted between 2006 and 2008 and orchards are now mature with minimal future capital expenditure required. RFM Almond Fund & RFM lessees were cash flow positive from 2013. Produced more than 4 t/ha in 2015 harvest year. Additional 600 ha orchard under development by Olam Orchards Australia Pty Ltd, leased for 22 yrs.</p>	 <p>Seven vineyards with 666 ha planted to vines leased to TWE. Principally located in the Barossa Valley (499 ha planted primarily to Shiraz) as well as Adelaide Hills, Coonawarra and Grampians.</p> <p>Vineyards have historically contributed essential quantities of Icon, A and B grade fruit for key premium labels.</p>
Key tenants	<p>RFM Poultry (RFP): One of the largest contract chicken growing operations in Australia. Grower contracts with Baiada Poultry Pty Ltd, one of the two largest processors in Australia.</p> <p>WALE: 11.8 yrs</p>	<p>Select Harvests (SHV): Large Australian based almond producer and branded food products manufacturer/distributor. ASX listed, A\$0.8b.</p> <p>Olam International: Diversified global agribusiness company. Second largest producer of almonds globally. SGX listed, A\$4.8b.</p> <p>WALE: 19.2 yrs</p>	<p>Treasury Wine Estates (TWE): Global winemaker and distributor, owner of Penfolds brand. ASX listed, A\$3.9b.</p> <p>WALE: 7.0 yrs</p>

Note:
1. Almond orchards (including surplus land) independently valued at \$105.2m plus internal valuation of \$10.4m for Tocabil. WALE calculated on a pro forma basis assuming Tocabil and Kerarbury developments were completed



Track record since listing

RFF has delivered growth in distributions and NAV since listing

Aims to drive unitholder returns via:

- Attractive distribution yields supported by high yielding assets
- Sustained distribution growth supported by rental indexation and market reviews
- Leveraging valuable water entitlements to develop tier one agriculture assets

Distributions:

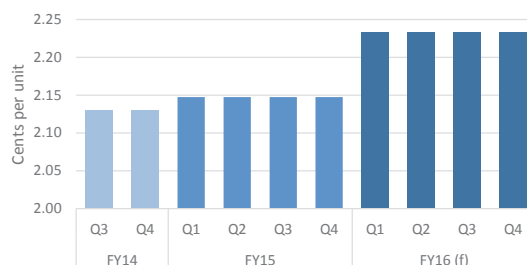
- RFF has declared 15.08 CPU since listing
- Current forecast FY16 yield of 8.1%¹
- Group expects to deliver distribution growth per annum of 4%

Adjusted NAV per unit:

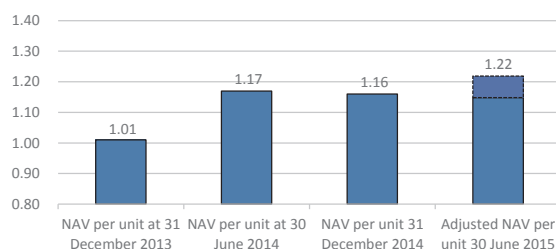
- In accordance with accounting standards and ASIC guidance, water entitlements are classified as intangible assets and recorded at cost in statutory accounts resulting in a NAV of \$1.15
- RFF's NAV has grown from \$1.01 as at 31 December 2013 to \$1.22 on an adjusted basis which reflects water entitlements as valued by independent valuers
- The Offer price of \$1.10 represents a 10% discount to the current adjusted NAV

Note:
1. FY16 forecast DPU of 8.93 cents divided by price of \$1.10

Distributions per unit since listing – June year end



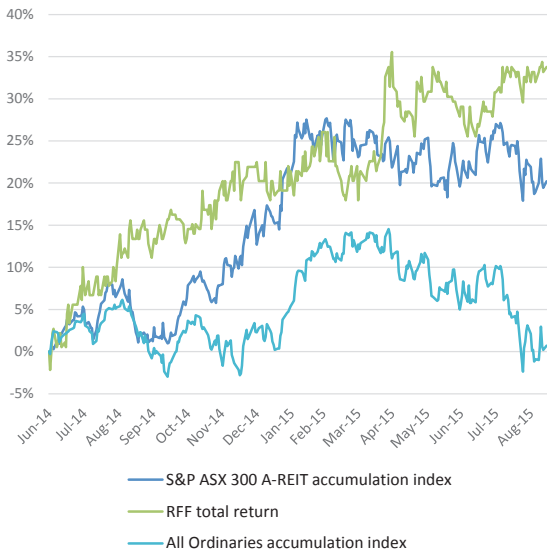
Adjusted NAV per unit movements



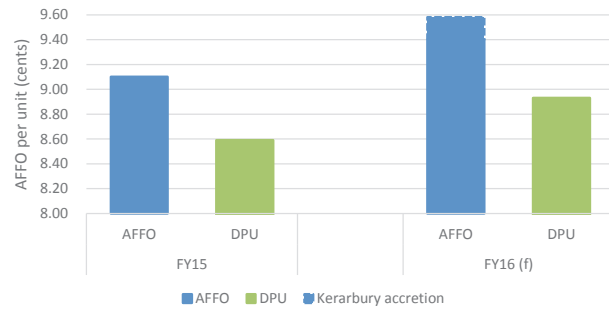
Track record since listing

RFF has materially outperformed both the ASX A-REIT index and ASX All Ordinaries accumulation index

Total shareholder return (TSR) since 1 July 2014¹



AFFO² and distributions



RFF listed history

- February 2014: compliance listed on ASX without raising additional capital
- March 2015: raised \$15.0m at \$1.05 per unit as part of funding package to develop Tocabil, a 600 ha almond orchard leased to Olam for 22 years

Notes:

- RFF total return assumes all distributions are reinvested at the DRP price. Total return of indices as provided by S&P
- Adjusted Funds From Operations (AFFO) represents a pre-tax FFO. A pre-tax measure has been adopted for the Group as the Rural Funds Trust entity is treated as a flow-through trust for tax purposes.



2

Transaction details



Overview

Kerarbury acquisition:

- The Manager has entered into an option to acquire “Kerarbury”, a 7,756 ha irrigation farm located near Griffith NSW that is suitable for a 2,500 ha almond orchard development
- Located in one of Australia’s recognised almond growing regions, 50km south of Griffith, NSW and in close proximity to RFF’s existing almond orchards
- 6,575 ML of water entitlements included in property purchase, and RFF has contracted an additional 10,819 ML for the development

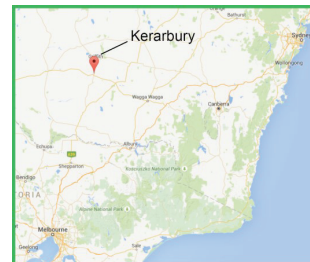
Olam lease:

- RFF has executed a 22.75 year lease with Olam to develop and operate a 1,500 ha almond orchard at Kerarbury, with an option to develop an additional 1,000 ha subject to funding and water purchases
- Capital outlay funded by RFF, with lease rental payable on cumulative balance
- Almond orchard development to commence once the property is acquired and FIRB approval received

Equity raising :

- RFF is seeking to raise \$35.0m of equity at \$1.10 per unit as part the funding package to fund the acquisition of Kerarbury, water entitlements and the development of a 1,500 ha almond orchard

Kerarbury – Darling Point, NSW



Transaction rationale

The Kerarbury almond orchard development is in line with RFM’s stated long term objectives for RFF

Long term objectives

Increase net assets	✓	Grows adjusted net assets from \$162m to \$195m, with potential for further capital appreciation
Without diluting AFFO per unit	✓	Immediately AFFO accretive and increasingly accretive in future years
Increase distributions over time	✓	FY16 distributions growing by 4% from FY15. Potential to increase growth rate in later years due to increase in AFFO
Reduce leverage	✓	Gearing remains within target range of 30-40%. Trending lower
Maintain asset quality while diversifying	✓	Prime almond orchard location to be developed according to best practice principles
Maintain tenant quality while diversifying	✓	Olam is a leading global agribusiness company, second largest almond grower globally
Lower operating costs per unit	✓	Fixed costs shared amongst larger equity base

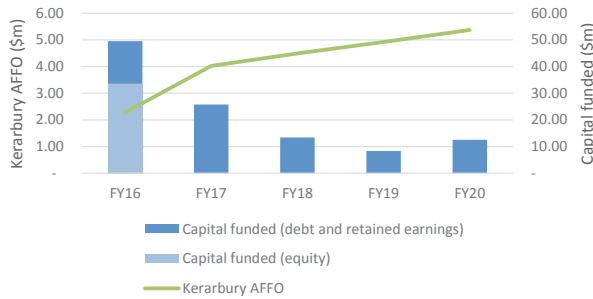


Pro forma impact of acquisition

Key forecast FY2016

	Forecast 30 June 2016	Post-transaction pro forma 30 June 2016
AFFO (before tax) per unit	9.40 cents	9.58 cents
Distribution payout ratio	95%	93%
Distributions per unit FY16	8.93 cents	8.93 cents
Distribution payment frequency	Quarterly	Quarterly
Forecast income yield ¹	8.1%	8.1%

Kerarbury capital deployed and forecast AFFO²



Key statistics 30 June 2015

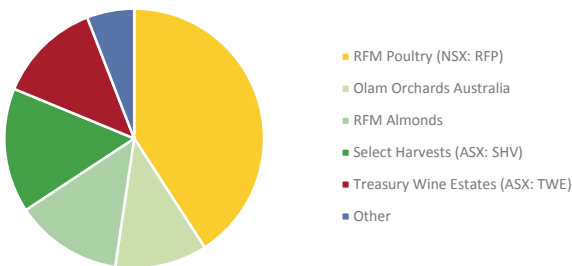
	Actual 30 June 2015	Post-transaction pro forma 30 June 2015
Total assets	\$252.7m	\$291.0m
Net Asset Value (NAV)	\$151.9m	\$185.4m
Units on issue	132.1m	164.1m
NAV per unit	\$1.15	\$1.13
Adjusted Total Assets ³	\$262.2m	\$300.6m
Adjusted NAV ³	\$161.5m	\$194.9m
Adjusted NAV per unit ³	\$1.22	\$1.19
Gearing ⁴	35.1%	32.3%
Number of properties	27 properties	29 properties
WALE (pro forma) ⁵	12.9 years	15.7 years
Occupancy	100%	100%

Notes:

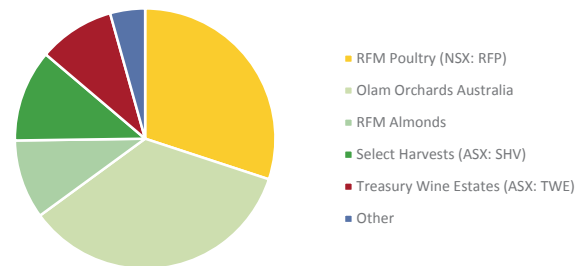
1. FY16 forecast DPU of 8.93 cents divided by a price of \$1.10
2. Forecast AFFO accretion shows the forecast AFFO and capital deployed based on the assumptions outlined in slide 28
3. Adjusted assets incorporates independent property valuations, inclusive of water entitlements. Post-transaction pro forma includes assets settled upon completion of equity raising
4. Gearing calculated as external borrowings / adjusted total assets
5. Lease expiries weighted by forecast FY16 rental income, expressed in years from 30 June 2015, calculated on a pro forma basis assuming Tocabil was complete 30 June 2015

Improved counterpart diversification

Pre-transaction pro forma FY16 forecast revenue¹



Post-transaction pro forma FY16 forecast revenue²



RFF tenant diversification improving:

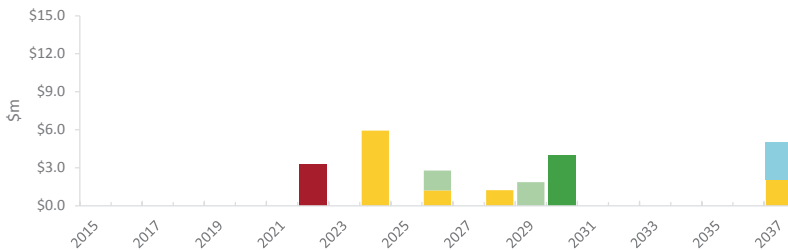
- Revenue from Olam Orchards Australia to represent approximately 35% of the portfolio
- Five major counterparts

Notes:

1. The pre-transaction pro forma assumes forecast FY16 revenue from existing leases and that the Tocabil development completed 30 June 2015
2. The post-transaction pro forma assumes forecast FY16 revenue from existing leases and that the Tocabil and Kerarbury developments completed 30 June 2015

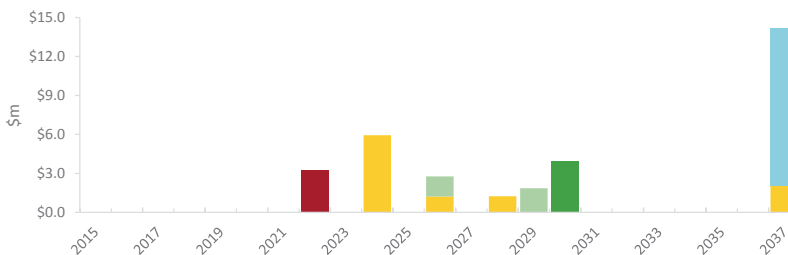
Improved WALE

Pre-transaction pro forma WALE: 12.9 years¹



- Weighted average lease expiry to increase from 12.9 to 15.7 years
- No lease expires before 2022

Post-transaction pro forma WALE: 15.7 years²



Notes:

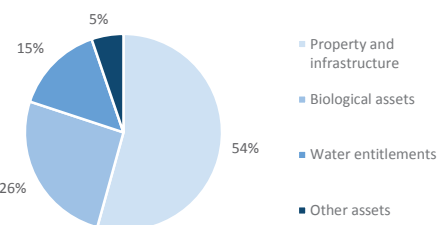
1. The pre-transaction pro forma assumes FY16 revenue from existing leases and that the Tocabil development completed 30 June 2015
2. The post-transaction pro forma assumes forecast FY16 revenue from existing leases and assumes the Tocabil and Kerarbury developments completed 30 June 2015



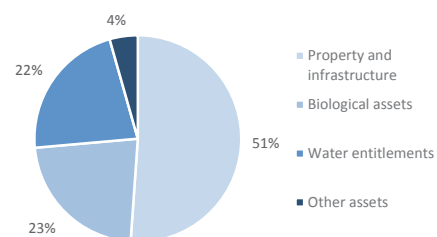
Increased exposure to water assets

- RFF provides investors with exposure to the Australian water entitlement markets. Water entitlements are regularly traded in secondary markets and are independently valued by qualified valuers
- RFF is one of the largest owners of agricultural water entitlements on the ASX
- RFF owns significant water entitlements, sufficient for the ongoing operation of each key asset. Owning water entitlements is integral as demand for water security will increase with further horticultural plantings and increased demand from maturing plantations across the Murray Darling Basin
- As at 30 June 2015 RFF owned 34,212 ML of water entitlements representing 15% of assets
- Immediately post-transaction RFF will own 51,606 ML of water entitlements¹
- At completion of the Kerarbury development RFF is forecast to own 58,755 ML of water entitlements¹

Pre-transaction: asset allocation



Post-transaction: asset allocation²



Notes:

1. This includes water entitlements that are forecast to be acquired as part of the Tocabil development. Adjusted to a high security basis this equates to 54,921ML
2. Post-transaction asset allocation assumes Kerarbury (excluding water entitlements) held entirely as property and infrastructure





Kerarbury property details

Key property details

Kerarbury	<ul style="list-style-type: none"> Refers to two properties: "Kerarbury" and "Kamelda" Located in Darlington Point, NSW 50km south of Griffith, 135km south of RFF's existing almond orchards Total area 7,756 ha <ul style="list-style-type: none"> 2,286 ha of developed irrigation land 3,292 ha of arable dry land 2,178 ha of grazing land
Water access	<ul style="list-style-type: none"> Groundwater <ul style="list-style-type: none"> Lower Murrumbidgee Groundwater aquifer Six irrigation bores Murrumbidgee River <ul style="list-style-type: none"> Direct access to the river at the north of the property Kerarbury Channel Scheme <ul style="list-style-type: none"> Privately owned scheme managed by Coleambally Irrigation Co-operative Ltd An offtake from the Murrumbidgee River Access to the channel at the south of the property
Water entitlements	<ul style="list-style-type: none"> 6,575 ML of Lower Murrumbidgee Groundwater Source included in property purchase Further entitlements contracted: <ul style="list-style-type: none"> 2,333 ML of High Security Murrumbidgee River Water 7,086 ML of General Security Murrumbidgee River Water (3,756 ML high security equivalent) 14,000 Kerarbury Channel Delivery Entitlements (1,400 ML high security equivalent)
Soil	<ul style="list-style-type: none"> Independent soil surveys indicate the property is suitable for 2,500 ha of almond orchards Initial almond planting of 1,500 ha Surplus land suitable for irrigated cropping and grazing



Olam lease and development

Proposed almond orchard development

Lessee	<ul style="list-style-type: none"> Olam Orchards Australia Pty Ltd (subsidiary of SGX-listed Olam International Limited)
Leased area	<ul style="list-style-type: none"> Olam to lease the entire property; RFM to licence back surplus grazing areas
Key lease terms	<ul style="list-style-type: none"> 1,500 ha almond plantings commencing 2016, assumes plantings over two years 22.75 years ending April 2038 Gross lease rate consistent with portfolio average 12 ML/ha permanent water entitlements. 8 ML/ha required before planting with balance of 4 ML/ha to be purchased following planting Lease payable quarterly in advance Lease rate applied to all capital expenditure Line fee payable on any undrawn capital expenditure Conditional on property acquisition and FIRB approval Provision for third tranche, targeted at a further 1,000 ha, subject to funding and water purchases
Capex	<ul style="list-style-type: none"> Capped at \$70,000/ha (excluding surplus land) Olam to incur costs as required; RFF to reimburse quarterly Includes capitalised orchard maintenance costs through to June 2020¹ 4.5 year development schedule Total capex estimated at \$109.5 million
Lease indexation	<ul style="list-style-type: none"> CPI No market reviews
Overall funding	<ul style="list-style-type: none"> Capital will be sourced from a combination of equity raised under this Offer, debt, and retained earnings RFF's bank is required to consent to the lease
Portfolio Impact	<ul style="list-style-type: none"> Immediately AFFO accretive, increasingly accretive in future years FY16 DPU guidance of 8.93 cents maintained. Pro forma WALE increases from 12.9 years to 15.7 years² Pro forma annual rent indexation increase from 2.12% to 2.23%^{2,3}

Notes:

- Orchard maintenance costs (direct growing costs) capitalised (i.e. attract rental income) through to June 2020, and thereafter become lessee's responsibility.
- Pro forma WALE and annual rent review indexation by FY16 revenue contribution, calculated as though Kerarbury and Tocabil developments completed 30 June 2015.
- Average rent indexation assuming CPI of 2.5%

Portfolio post acquisition

	Existing assets			Pre-transaction (weighted average)	Kerabury almond development ⁵	Pro forma ⁶
	Poultry infrastructure	Almond orchards (pro forma) ⁴	Vineyards			
Annual indexation¹	65% of CPI (capped at 2%)	2.5% p.a. (market review 1 July 2016), CPI	2.5% p.a. (market review 1 July 2017)	2.12%	CPI	2.23%
WALE²	11.8 years	15.9 years	7.0 years	12.9 years	22.75 years	15.7 years
Asset value³	\$94.0m	\$137.9m	\$39.4m	\$271.3m	\$109.5m (total over 4.5 years)	\$380.8m

Notes:

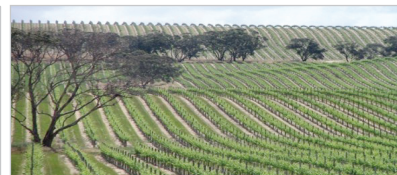
1. Average weighted by forecast FY16 revenue. CPI assumed to be 2.5%. Market review for almond orchards applies to SHV lease only.
2. WALE weighted by forecast FY16 revenue, expressed as years from 30 June 2015.
3. Asset values are 30 June 2015 independent valuations. Kerabury asset value is forecast total leased assets.
4. Almond orchards calculated on a pro forma basis assuming the Tocabil development was completed 30 June 2015.
5. Kerabury almond development calculations based on the forecast total leased assets.
6. Pro forma weighted average annual indexation and WALE calculated assuming Kerabury development had been completed 30 June 2015.



Farm 64, Griffith, NSW



Moorral almond orchard, Hillston, NSW



Geier Vineyard, Barossa Valley, South Australia

3

Capital raising

Equity Raising

Structure	<ul style="list-style-type: none"> • \$12.6m Placement to institutional and sophisticated investors <ul style="list-style-type: none"> • 11.5 million New Units (~7% of pro forma issued capital, including the Entitlement Offer) • 2 for 13 non-renounceable Entitlement Offer to raise \$22.4m <ul style="list-style-type: none"> • 20.4 million New Units • Intended to be underwritten, subject to completion of Placement, execution of formal documentation • Units issued pursuant to the Placement will not be eligible to participate
Offer Price	<ul style="list-style-type: none"> • Fixed offer price of \$1.10 per Unit <ul style="list-style-type: none"> • 2.7% discount to last close (23 September 2015 close \$1.13) • 2.5% discount to 5-day VWAP of \$1.1281 • 2% discount to TERP¹ • 8.1% forecast FY16 distribution yield at Offer Price
Use of funds	<ul style="list-style-type: none"> • Acquisition of property and water entitlements • Offer costs
Ranking	<ul style="list-style-type: none"> • All New Units will be fully paid and rank equally with RFF's existing Units, including a right to the December 2015 quarterly distribution (forecast 2.2325 cpu)
Offer jurisdictions	<ul style="list-style-type: none"> • Registered addresses in Australia and New Zealand
Joint Lead Managers	<ul style="list-style-type: none"> • Wilson HTM Corporate Finance Ltd and Bell Potter Securities Ltd

Note:

1. Theoretical ex-rights price (TERP) includes Placement Units and calculated on pre-announcement 5-day VWAP price

Sources and uses of funds

Sources and uses of funds FY16 (\$m)

Sources

Institutional Placement	12.5
Entitlement Offer	22.5
Debt drawings	16.1
Total sources	51.1

Uses

Kerarbury property purchase	19.8
Contracted water entitlements purchase	18.5
Almond development (FY16 capex)	11.2
Transaction costs	1.6
Total uses	51.1

- The equity raised under this Offer, together with debt and retained earnings, is forecast to be sufficient to complete the acquisition and orchard development while maintaining gearing at or around the current level
- FY16 development capex will progressively draw down against borrowings
- In subsequent years, additional capital will be sourced from a combination of debt and retained earnings

Summary

- ASX only listed agricultural focused REIT
- Diversified portfolio of 29¹ properties with revenue derived from poultry, almonds, vineyards and water
- One of the few ASX listed investments with exposure to water entitlements
- WALE of 15.7 years²
- 100% occupancy
- High quality tenants including Treasury Wine Estates (\$3.9bn mkt cap), Olam Australia a wholly owned subsidiary of Olam (\$4.8bn mkt cap) and Select Harvests (\$0.8bn mkt cap)
- Owns both the long duration producing assets (almond trees, vines etc) in addition to the underlying land and water
- Forecast 8.1% distribution yield for FY16
- Expects to deliver distribution growth per annum of 4%
- Potential for future asset growth – particularly in almonds and water
- Kerarbury transaction is AFFO accretive in FY16 and increasingly accretive in future years
- \$1.10 issue price represents an attractive 8% discount to the pro forma adjusted NAV post transaction - \$35m equity raising



Notes:

1. Properties include the proposed acquisition of Kerarbury and Kamelda
2. Pro forma WALE calculated as though Kerarbury and Tocabil developments were complete 30 June 2015



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Timetable

Placement key dates

Proposed trading halt	Thursday, 24 September 2015
Recommence trading	Monday, 28 September 2015
Settlement of Placement units	Friday, 2 October 2015
Allotment and trading of Placement units	Tuesday, 6 October 2015

Entitlement Offer key dates

Ex-date for Entitlement Offer	Wednesday, 30 September 2015
Record Date for Entitlement Offer	Friday, 2 October 2015
Entitlement Offer opens	Wednesday, 7 October 2015
Offer Booklet and Personalised Entitlement and Acceptance Forms sent to all Eligible Unitholders	Wednesday, 7 October 2015
Entitlement Offer closes (Closing Date)	Wednesday, 21 October 2015
Allotment of units issued under Entitlement Offer	Wednesday, 28 October 2015
Dispatch of holding statements	Wednesday, 28 October 2015
Expected date for trading of Entitlement Offer units	Thursday, 29 October 2015



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4 Financials



Pro forma summarised adjusted balance sheet

(\$000s)	Adjusted actual 30 June 2015	Offer proceeds	Offer Costs	Kerarbury acquisition	Additional water entitlements	Pro forma 30 June 2015
	Note 1	Note 2	Note 3		Note 4	
Cash	712	-	-	-	-	712
Property investments	249,020	-	-	19,839	18,513	287,372
Deferred tax assets	2,317	-	-	-	-	2,317
Other assets	10,189	-	-	-	-	10,189
Total Assets	262,238	-	-	19,839	18,513	300,590
Interest bearing liabilities						
Plant and equipment facility	2,458	-	-	-	-	2,458
Core debt facility	89,650	(35,000)	1,587	19,839	18,513	94,589
Current tax liabilities	29	-	-	-	-	29
Other liabilities	8,586	-	-	-	-	8,586
Total Liabilities	100,723	(35,000)	1,587	19,839	18,513	105,662
Net Assets	161,515	35,000	(1,587)	-	-	194,928
Units on issue ('000s)	132,289	31,818	-	-	-	164,107
NAV per unit	\$1.22					\$1.19
Gearing ⁵	35.1%					32.3%

Notes:

- The property investment assets are adjusted to be based on the 30 June 2015 independent valuations. The RFF statutory accounts differ, with the water entitlements held at cost. For further information on the adjusted assets see the RFF FY15 results presentation
- The proceeds from this Offer are applied initially to debt reduction and redrawn to settle Kerarbury and water entitlements. Units are assumed to be issued at \$1.10. Assumes full \$35m raised
- Costs associated with this Offer, \$32k Equity Raising costs expensed, with remainder offset against net assets attributable to unitholders
- Additional water entitlements currently under contract to be settled upon completion of equity raising. Entitlements held at cost. Stamp duty is not payable on water entitlements
- Gearing calculated as interest bearing liabilities divided by total assets

Debt

Debt metrics

	Actual 30 June 2015	Post-transaction pro forma ¹ 30 June 2015
Term debt facility limit	\$103.0m	\$103.0m
Term debt drawn	\$89.7m	\$94.6m
Headroom	\$13.3m	\$8.4m
Loan to Value Ratio (LVR) ²	42.2%	36.5%
Gearing	35.1%	32.3%
Debt Facility expiry	18 Dec 2018	18 Dec 2018
Interest Cover Ratio ³	3.16x	3.16x
Hedging policy	>50%	>50%
Proportion hedged ⁴	82.0%	79.3%
Weighted average hedge expiry	30 Sep 2017	30 Sep 2017
Effective hedge rate	3.44%	3.44%
Effective cost of total debt (12 months to June 2015)	5.48%	5.48%

Notes:

- Assumes \$35 million of Equity Raising proceeds less Offer costs initially applied towards settlement of Kerarbury and water entitlements, and paying down borrowings
- LVR calculated as facility limit / directly secured assets
- Interest Cover Ratio calculated based on 12 months to 30 June 2015 (no pro forma adjustment)
- Proportion hedged based on term debt drawn

- Approval received for \$33m increase to existing debt facility
 - Sufficient to fund development through to December 2016
- Key financial covenants:
 - LVR <50%
 - Interest Cover Ratio >2.5x, with distribution permitted at >2.75x
 - Net Tangible Assets >\$100 million
- Security:
 - Real property mortgages
 - General security agreement
 - Cross guarantees between RFF and subsidiaries
- Amortisation of \$2 million per annum commencing 31 March 2016

Almond orchard development overview

Development timetable and capital cost

	FY16	FY17	FY18	FY19	FY20	Total
Kerarbury property purchase ¹	19.8					\$19.8m
Additional water entitlements	18.5	6.9				\$25.4m
Infrastructure and trees	10.8	15.1	6.7		1.1	\$33.7m
Orchard maintenance ²	0.4	3.8	6.7	8.4	11.4	\$30.6m
Total development	\$49.5m	\$25.7m	\$13.4m	\$8.4m	\$12.5m	\$109.5m

- \$38.4m to be deployed during October to purchase Kerarbury and additional water entitlements
- 18,000 ML required for total development, 14,064 ML of high security equivalent water contracted to date (inclusive of the Kerarbury entitlements)
 - sufficient water acquired to commence planting
- Total orchard development budget (excluding land and water) of \$64.3 million over 4.5 years
- Assumes 1,000ha to be planted in 2016 and 500ha to be planted in 2017
- Orchard maintenance costs years through to June 2020 included as capex.

Notes:

- Kerarbury assets to be leased to Olam include land, water, and infrastructure valued at \$19.8 million inclusive of stamp duty. Surplus grazing land is licenced to RFM Farming at the same rate as the Olam lease
- Orchard maintenance includes all direct growing costs, on farm staffing costs, farm overheads, repairs and maintenance, temporary water purchases and water charges

Development impact – AFFO

Kerarbury development impact

	FY16	FY17	FY18	FY19	FY20	Total
Total leased assets	\$49.6m	\$75.3m	\$88.7m	\$97.0m	\$109.5m	\$109.5m
Rental income ¹	\$2.8m	\$5.7m	\$7.3m	\$8.3m	\$9.3m	\$33.4m
Net interest ²	(\$0.2m)	(\$1.1m)	(\$2.0m)	(\$2.4m)	(\$2.8m)	(\$8.5m)
Management fee	(\$0.3m)	(\$0.7m)	(\$0.9m)	(\$1.0m)	(\$1.1m)	(\$4.0m)
Kerarbury AFFO	\$2.3m	\$3.9 m	\$4.4m	\$4.9m	\$5.4m	\$20.9m

- Kerarbury development is immediately AFFO accretive

Notes:

1. Rental income, net interest and management fees calculated based on development capital expenditure occurring 30 June and 31 December each year. Rent is payable upon capital being deployed, with CPI escalation (assumed at 2.5% pa) at 1 January each year. Rental income includes income derived from the line fee payable by Olam. Rental income includes lease income from RFM Farming on the surplus grazing land not required for the orchard
2. Net interest assume 5 year BBSY rate plus margin on new debt relating to the Kerarbury development, with debt drawn to fund new development capex

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Key risks

Key risks

An investment in RFF, like any investment, involves risk. These risks can be broadly divided between specific risks, property market risks, and general risks relevant to RFF.

Whilst the assumptions used in generating the forward-looking statements within this presentation are considered reasonable, a number of these risk factors could affect the achievement of the forecasts. Most risk factors are outside the control of RFF.

Detailed below are risk factors however this is not an exhaustive list. Investors should make their own independent assessment of the Offer.

Specific risks

Risk	Summary
Counterpart	<p>All land and infrastructure assets owned by RFF are leased in order to ensure that Unitholders are not directly exposed to agricultural operational risk.</p> <p>There is a risk that a counterpart may default on its lease obligations to RFF. Any default would reduce RFF's revenue and, thus, its ability to meet its obligations and the payment of distributions.</p> <p>RFF has several lessees, with the largest lessee (by rental income) being RFM Poultry, representing 44% of RFF's revenue stream during the 2015 financial year.</p>
Rental risk – timing of development expenditure	<p>The money raised under this Offer, together with debt and retained earnings will be used to fund the acquisition and development over four and a half years of a 1,500 hectare almond orchard leased for 22.75 years to Olam Orchards Australia Pty Ltd. There is a risk that delays in the commencement of the development of the orchard, or the timing of the expenditure, may result in a reduction or deferral of rent received under the lease until the development is completed.</p>
Takeover	<p>RFM, an experienced agricultural manager, is the responsible entity of RFF.</p> <p>Another entity may seek to take over RFF or replace RFM as responsible entity. Any change of responsible entity will require Unitholders' approval of an ordinary resolution at a Unitholder meeting.</p>
Future distributions or reduction in distributions	<p>RFF must meet its operating expenses, capital commitments and debt servicing obligations before distributions can be made to Unitholders. Consequently, distributions may vary. Interest rate movements and changes in costs may also impact AFFO.</p>
Olam lease conditions precedent (Kerarbury)	<p>The lease with Olam Orchards Australia Pty Ltd is conditional on Foreign Investment Review Board (FIRB) approval and RFF acquiring Kerarbury and associated water entitlements.</p> <p>Olam's previous FIRB applications have been successful, including similar applications made within the past six months, and thus Olam and RFM expect approval within the normal timeframe.</p> <p>The option to acquire Kerarbury expires on 11 October 2015 and RFF must raise equity prior to this date in order to fund the settlement of the property. If RFF fails to complete the property purchase, the deposit on the property will be forfeited. The risk of deposit forfeiture has been underwritten by the Manager (RFM) and Olam Australia Pty Ltd.</p>

Key risks

Specific risks (continued)

Risk	Summary
Suspension event	<p>There is a risk that a suspension event could occur under the terms of the chicken growing contracts. Under the terms of the RFM Poultry lease, any reduction in the grower fee revenue relating to a suspension event will result in a proportional reduction in the rent payable to RFF.</p> <p>RFM Poultry has chicken growing contracts with Bartter Enterprises that expire over the period from 31 March 2024 to 3 July 2036. RFM Poultry is dependent on the income from those contracts to meet its obligations to RFF under the leases.</p> <p>The Bartter Enterprises growing contracts include the following suspension events, which, if triggered, mean all obligations under the relevant growing contract, including payments to RFM Poultry, are suspended until the suspension event is rectified.</p> <p>In the event RFM Poultry suffers a suspension event, this will have a corresponding suspension or reduction in the lease payments received by RFF under its lease with RFM Poultry. If the suspension event persists for longer than six months, the growing contract may be terminated by either party by giving one month's notice. Suspension events for all chicken growing contracts include: acts of God; epidemics, fires, industrial disputes by Bartter employees, livestock husbandry issues, disease caused by RFM Poultry and chicken meat importation.</p> <p>In the case of the Lethbridge farm growing contracts, suspension events that result in contract payments being suspended as a result of either disease or chicken meat importation, allow for RFM Poultry to be compensated when the next batch of chicks are placed with that farm.</p>
Competition	<p>RFM has a significant track record in identifying, acquiring and managing agricultural properties in Australia. A number of competitors exist for potential acquisitions, which could impact upon RFM's ability to execute RFF's business strategy and thus its financial performance.</p>
Acquisition risk	<p>In order to drive future growth of the business of RFF, RFM intends to develop a significant acquisition pipeline. There is no guarantee that RFM will be able to execute any or all future acquisitions.</p>
Business strategy	<p>RFM's business strategy for RFF is focused on building RFF's portfolio and cash yield through acquisition and development. RFF's future growth is dependent on the successful execution of this strategy including funding. Any change or impediment to implementing this strategy or funding may adversely impact RFF's operations and future financial performance.</p>

Key risks

Specific risks (continued)

Risk	Summary
Asset valuations	Rental yield and profitability of RFF is attached to the valuations of the leased properties, biological assets and water rights. Factors affecting asset valuations include capitalisation and discount rates, the economic growth outlook, and demand for end-market products such as chicken meat, almonds and wine. Such impacts on property valuations may lead to variations in the valuation of RFF and the rental yields RFF is able to achieve.
Insurance	RFF enters into insurance policies on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature, such as those arising from war, terrorism, insects or severe flooding, may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs, or may be subject to large excesses.
Interest rate risk and hedging	RFF holds interest bearing debt and as such it is exposed to movements in interest rates. RFF undertakes interest rate hedging to help protect against changes in interest rates and interest rate swaps are currently used for this purpose. These swaps provide more certainty in a changing interest rate market and will result in a higher or lower interest expense, and cash flow, relative to the spot market. Accounting policies require interest rate swaps to be recorded at fair value and this may lead to fluctuations in comprehensive income, however these market adjustments are non cash and do not impact AFFO.
RFM Poultry right of rent review	Under the terms of the RFM Poultry lease, there is a right of rent review where there is material permanent change to the profitability of chicken growing activities. Any reduction in RFM Poultry's profitability may result in a reduction in the rent payable to the RFF.
Gearing	RFF has secured a debt facility that sets limits for the next three years. Beyond this, there is a risk that RFF's bank could reduce the gearing limit. In these circumstances, where asset values have not increased sufficiently to offset any decrease in gearing limits, Rural Funds Group may be required to sell assets and reduce or suspend distributions to retire debt.
Reliance on RFM's skills	Unitholders have no direct control over the decisions that affect the day-to-day management of RFF. Instead they rely on the skills of RFM and RFM's employees to manage RFF assets. An RFM employee may have a specialist skill set that is used to manage those assets. If that RFM employee resigns, then RFM may not be able to replace that specialist skill set quickly or easily.

Key risks

Specific risks (continued)

Risk	Summary
Conflict of interest and related party transactions	RFM is the responsible entity for RFF and for a number of other funds. It is possible that investment opportunities will arise for RFF through RFM's relationship with those other funds. Therefore, from time to time, RFM may face a conflict of interest that arises because of its role as the responsible entity for RFF and its role as the responsible entity for other funds. Related party transactions are subject to compliance with the Corporations Act 2001 (Cth) and the RFM Conflict of Interest Management Policy.
Inflation	Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests and Treasury Wine Estates leases allow for annual indexing of 2.5% p.a. with three and five yearly reviews to market respectively. The RFM Poultry lease is subject to standard indexation capped at 2% p.a. The leases to RFM's Almond Funds are subject to standard indexation of 2.5% p.a. There is the risk that inflation will be more than the results achieved by the market reviews and annual indexing.
Olam lease force majeure	During the development period there is a risk of force majeure events, which prevents the development of the almond orchard such as an extreme climatic event and which are beyond the control of either party. If a force majeure event results in the Kerarbury 2016 plantings of between 1,000 ha and 1,500 hectares not being completed within 18 months from the event, then the Olam Orchards Australia Pty Ltd can terminate the lease.

Key risks

Property Market risks

Risk	Summary
Decline in asset value	RFF owns property including land, water and infrastructure for agricultural production. The value of these assets may rise or fall because of general economic conditions, local and global agricultural conditions, changes in independent valuation methodologies, and changes in discount rates.
Destruction or damage of property	It is possible that the assets owned by RFF could be destroyed or damaged by natural or other events. RFM will maintain appropriate levels of insurance, provided it is economically sensible to do so.
Property illiquidity	The majority of assets owned by RFF are large scale. Given this scale, the number of potential buyers is limited. Therefore, the sale of assets at an appropriate price may take longer to realise.
Reduction in water entitlements	Pursuant to the terms of the Treasury Wine Estates Limited leases, and the lease for the RFM Almond Funds 2007 and 2008, where there is a reduction in water entitlements, RFF is required by the terms of the leases to replace the entitlements from an alternative source. Failure to do so may result in a rent abatement or a right to terminate the lease. Under the terms of the Select Harvests leases, RFF is not required to replace any reduction in entitlements and there is no rental abatement at the time of the reduction. However the reduction will be taken into account in determining the Orchard value at the next review date; and therefore is likely to result in a rental reduction then. Under the terms of the Kerarbury and Tocabil leases with Olam, any reduction in water entitlements results in a rent abatement. If RFF secures additional water, rent is payable based on the capital cost of the purchase. In the event that a reduction results in less than 8 ML/ha (Kerarbury) and 10 ML/ha (Tocabil) being available and not replaced by RFF within 18 months of the reduction taking effect, Olam have the right to surrender an area in order to bring the entitlement back to 8 ML/ha (Kerarbury) and 10ML/ha (Tocabil). If the remaining area is less than 800 ha for Kerarbury and 300 ha for Tocabil, Olam have the right to terminate the entire lease. There is no such requirement in any of the other existing leases. Annual water allocation risks are on account of the Lessee's.

Key risks

General risks

Risk	Summary
Change in economic conditions	The following economic conditions may impact the performance of RFF assets: <ul style="list-style-type: none"> national economic growth; industry change; interest rates; inflation; exchange rates; and changes to government economic policy.
Change in political and regulatory environment	The following international or domestic political conditions (as well as others that are not listed here) may adversely affect RFF's assets: <ul style="list-style-type: none"> legislative changes; regulatory changes; taxation changes; and foreign policy changes (including the status of trade agreements).
Taxation changes	Section 4 in the Retail Offer Booklet provides an outline of the current taxation status of RFF. As a Unitholder, you should be aware that taxation law can change, which may materially impact your taxation position or the value of your investment in RFF.
Units trading at below net asset value	The buying and selling of Units is conducted on the ASX. The trading history of Units indicates that RFF Units have traded below their net asset value. The trading price of the Units will be dependent on the financial performance of RFF.
Liquidity	The ability to sell your Units will depend on the availability of buyers. Larger stocks generally have a higher level of liquidity or turnover than smaller stocks. There are approximately 2,000 stocks listed on the ASX.

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Appendices



Responsible entity relationship

RFM is one of the oldest and most experienced agricultural funds management organisations in Australia

- Rural Funds Management Limited (RFM) is an experienced fund and asset manager that specialises in Australian agriculture
- Established in 1997, RFM operates as an external manager and is currently the responsible entity for seven agricultural investment funds which as at 30 June 2015 had approximately \$325m of assets under management in New South Wales, South Australia and Victoria and a combined FY15 turnover of approximately \$85m
- David Bryant is the founding director and majority owner (80%) of RFM. Other owners include senior staff and non-executive directors
- Both RFM and David Bryant have investments in each of the listed entities RFM manages
- RFM manages additional operational entities enabling RFF to benefit from shared services
- The RFM management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides RFM with the specialised skills and experience required to manage the agricultural assets
- RFM employs or directly contracts 32 corporate staff (offices in Canberra, Sydney and Melbourne) and 32 farm staff
- RFM has a simple and transparent fee structure for managing and administering RFF:
 - Fund and Asset Management Fees totalling 1.05% p.a. of gross asset value;
 - Reimbursement of all reasonable expenses; and
 - Constitution provides for a termination fee of 1.5% of gross asset value in the event RFM is removed as responsible entity

RFM board and management team

RFF is externally managed and governed by a highly experienced management team and board

Board of directors



Guy Paynter
Non-executive
Chairman

- Former director of broking firm JBWere with more than 30 years' experience in corporate finance
- Guy was former member of the ASX
- Agricultural interests include cattle breeding in the Upper Hunter region in New South Wales



David Bryant
Managing Director

- Established RFM in February 1997
- Responsible for leading the RFM Executive and sourcing and analysing new investment opportunities
- Responsible for over \$350m in asset acquisitions across eight Australian agricultural regions, including negotiating the acquisition of more than 25 properties and over 65,000 megalitres of water entitlements



Michael Carroll
Non-Executive
Director

- Serves a range of food and agricultural businesses in a board and advisory capacity, including Tassal Group Ltd, Select Harvests Ltd, Paraway Pastoral Company, Sunny Queen Ltd and the Gardiner Dairy Foundation
- Senior executive experience in a range of companies, including establishing and leading NAB's Agribusiness division

Contacts



Stuart Waight
Chief Operating
Officer

- Joined RFM in 2003
- RFM Company Secretary
- Responsible for reviewing and optimising the performance of the RFM funds, and analysing future developments, acquisitions, and investments
- Oversees the Asset Management activities, as well as the Farm Management activities of the National Manager of each of Poultry, Almonds, and Cropping and Livestock.



Andrea Lemmon
Executive Manager,
Funds Management

- Joined at inception in 1997
- RFM Company Secretary
- Responsible for the development of new products, the continuous improvement of existing products, management of research activities, and the provision of services and communications to investors and advisers



Tim Sheridan
Senior Analyst

- Joined RFM in 2008
- Responsible for the analysis of RFF financial performance, and the analysis of future development and investment opportunities



James Powell
Investor Relations and
Distribution Manager

- Joined RFM in 2006
- Responsible for overseeing RFM's sales and distribution activities, development of key relationships required to increase the awareness of RFM's investment opportunities and part of the product development division



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Olam International Limited

Overview

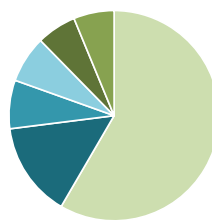
- Leading global agribusiness company operating from seed to shelf in 65 countries
- 23,000 employees
- Covers 16 product platforms with leadership positions in a variety of commodities including cocoa, coffee, cashew, rice and cotton
- Second largest grower of almonds globally and the only supplier with operations in both Australia and California
 - 30,000 acres in Australia, 7,000 acres in California
- Listed on SGX Mainboard
- Founded in 1989 by the Kewalram Chanrai Group, one of Singapore's oldest family-owned trading groups

Australian operations

- Integrated supply chain operations in five commodities – cotton, almonds, pulses, grains and dairy
- Over 400 permanent and ~300 seasonal employees
- Largest almond orchard operator in Australia
 - 30,000 of Australia's total 70,607 acres of orchards
- Corporate activity in Australia:
 - Acquisition of Qld Cotton Holdings (2007)
 - Acquisition of Timbercorp almond orchards (2010)
 - Sale and leaseback of A\$200m of almond orchards (2014)
 - Sale of Dirranbandi and Collymogle cotton gins (2014)
 - Grain JV with Mitsubishi Corporation (2014)

Sources: Olam company information

Key shareholders



- Temasek
- Kewalram Chanrai
- Orbis
- Olam management
- Other institutions
- Other

Key metrics (as at 17 September 2015)

Annual sales revenue	S\$18.3 billion
Total assets	S\$16.4 billion
Market capitalisation (S\$2.04/share)	S\$4.9 billion



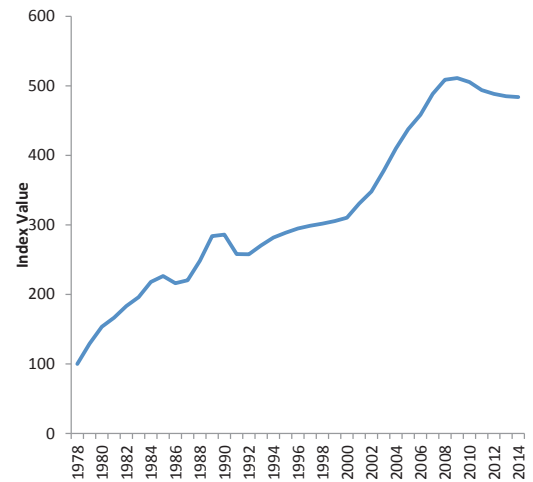
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Australian agriculture

Australian agriculture is benefiting from a number of trends

- Trends supporting Australian agriculture include:
 - Emerging Asian middle class: rising wealth and incomes leading to increased calorie consumption and higher protein diets
 - Population growth: world's population expected to increase 35% from 7 billion to 9.6 billion in 2050
 - Increase in agricultural production is dependent on productivity growth
 - Low level of institutional ownership in sector
- Many Australian agricultural sectors possess comparative advantage:
 - Significant agricultural production capacity
 - Close proximity to growth markets in Asia
 - Robust biosecurity systems
 - Track record of innovation and productivity growth
 - Reputation for food safety and quality
 - Skilled workforce

Growth in Australian agricultural land values: 1978 to 2014¹



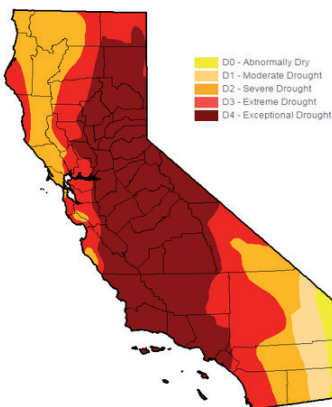
¹Source: ABARES - Agricultural land growth comprises growth in the value of cattle and sheep grazing properties and cropping land. Re-based to 100

Almond industry outlook

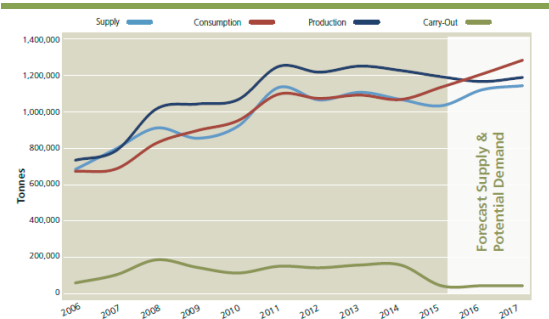
Three key factors provide a promising outlook for the Australian almond industry:

- Difficult conditions for Californian growers
 - source of 83% of the worlds almonds
- Declining AUD
 - Favourable for Australian growers as almonds traded in \$US
- Long term increasing demand for almonds
 - limited natural resources see supply constrained long term

Exceptional Californian drought



Improving supply and demand outlook



Declining AUD



Sources: USDA Drought Monitor (accessed 8 September 2015), Almond Insights 2014-2015, Almond Board of Australia, Reserve Bank of Australia

Corporate information



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4. Taxation

4.1 Introduction

This section is a summary of the key Australian tax issues for Unitholders who are residents for Australian tax purposes, who hold their Units (being Rural Funds Trust Units Stapled to RF Active Units) on capital account.

Unitholders should be aware that the actual tax implications of investing in Units may differ depending on their individual circumstances.

Neither RFM nor its directors are registered under the Tax Agent Services Regime to provide tax advice to individual Members. Accordingly, Members should take advice from an appropriately qualified adviser on the taxation implications of the arrangements, taking into account their particular circumstances.

Unitholders who are residents of, or subject to taxation in, other countries should also obtain advice on the tax consequences in that country.

4.2 Taxation of New Units

The New Units will rank equally with all other Units in relation to future distributions and will be taxed in the same manner as outlined below for Units.

4.3 Holding of Units

Each of the components of a stapled Unit is treated separately for tax purposes. Unitholders may receive distributions from Rural Funds Trust and distributions from RF Active – the tax consequences of each are outlined below.

4.4 Taxation of distributions from Rural Funds Trust

Rural Funds Trust only holds assets that derive rental or other 'passive' income. On the basis that this continues to be the case, Rural Funds Trust should be a 'flow through' fund (rather than a public trading trust) for tax purposes.

Rural Funds Trust will not be liable for any income tax if at all times the Unitholders are presently entitled to the net taxable income of Rural Funds Trust. The net taxable income of Rural Funds Trust will generally be taxed in the hands of Unitholders.

Each year, Unitholders will include in their assessable income, that portion of the net taxable income of Rural Funds Trust to which they become entitled. This includes distributions that are reinvested to subscribe for additional Units and income that a Unitholder becomes entitled to but has not yet received.

Distributions from Rural Funds Trust might include capital gains (including gains subject to the general 50% capital gains tax (CGT) discount), imputation credits or foreign tax credits. Unitholders may benefit from discount capital gains, imputation credits and foreign tax credits, depending on their personal circumstances.

Distributions made by Rural Funds Trust may also include non-assessable amounts. If all or part of a distribution by Rural Funds Trust is not subject to tax in the hands of the Unitholder, other than a distribution of the discounted element of a capital gain, the Unitholder's CGT cost base in their Rural Funds Trust Units will be reduced for CGT purposes by the amount of the non-assessable component. If a Unitholder's CGT cost base in the Rural Funds Trust Units is reduced to zero, the Unitholder will make a capital gain in respect of any excess non-assessable amounts received from Rural Funds Trust. Unitholders may be eligible to reduce any gain in respect of their Rural Funds Trust Units by applying the general 50% CGT discount, depending upon the Unitholder's personal circumstances.

4.5 Taxation of distributions from RF Active

RF Active will be taxed as a public trading trust. As a public trading trust, RF Active:

- a. will pay tax at the corporate tax rate (currently 30%) on the profit it generates from its operational activities; and
- b. may, from time to time, make distributions to Unitholders of the profit generated from its trading activities.

Distributions by RF Active to Unitholders will be regarded as dividends for tax purposes (which may be franked). Unitholders will be assessed on any distributions received from RF Active in the year of income in which the distribution is paid (even where the distributions are reinvested).

Where distributions are wholly or partly franked, the Unitholder's assessable income may include an additional amount which reflects the amount of the franking credit (which represents the tax paid on the profits from which the distribution (dividend) has been paid).

In certain circumstances, the franking credit may not be included in the Unitholder's assessable income, such as where the Unitholder has both purchased and sold Units within 45 days of the ex-distribution date, or otherwise does not hold Units sufficiently at risk.

Where a franking credit is included in the Unitholder's assessable income, the Unitholder will be entitled to a rebate of tax equal to the amount of the franking credit.

4.6 Disposal of Units

When a Unitholder disposes of Units, the CGT issues related to the disposal of the Rural Funds Trust Units and RF Active Units should be determined separately. That is, the disposal of a Unit will involve two CGT events (the disposal of Units in Rural Funds Trust and the disposal of Units in RF Active), and the calculation of the capital gain or loss must be performed separately for each CGT event.

On disposal of a Unit, the capital proceeds will need to be apportioned between the two CGT events on the basis of what is reasonably attributable to each CGT event.

Unitholders may make a capital gain or incur a capital loss on the disposal of Units, whether disposal occurs by way of sale or upon redemption. The amount of any capital gain or loss will be calculated as the difference between the capital proceeds received for the disposal and the cost base of the Rural Funds Trust Units and RF Active Units respectively. The cost base of a CGT asset generally includes the expenditure incurred to acquire the CGT asset such as the issue price or purchase price, and any incidental costs of acquisition and disposal.

Depending upon the circumstances in which Unitholders acquired their Units, an apportionment may also need to be performed to determine the cost base of each CGT asset. Again, the basis of apportioning the expenditure incurred to acquire the Units between the two CGT assets will be by reference to what is reasonably attributable to each CGT asset.

If the Rural Funds Trust Unit or the RF Active Unit (as the case may be) has been held by a Unitholder, who is an individual or trustee of a trust, for at least 12 months prior to disposal, then the amount of any capital gain may be reduced by the 50% general CGT discount for the purposes of calculating the amount of the net capital gain to be included in the Unitholders assessable income. The capital gain is offset by any available capital losses before applying the discount.

4.7 TFNs

An Applicant is not required to quote a TFN when applying for New Units. However, if a TFN or an Australian Business Number is not provided by a Unitholder who is a resident for Australian tax purposes (and a relevant exemption has not been quoted by the Applicant), withholding tax will be deducted from the payment of distributions by Rural Funds Trust and from any unfranked component of distributions paid by RF Active at the highest marginal tax rate.

5. Important information for unitholders

5.1 No product disclosure statement

The Entitlement Offer complies with the requirements of section 1012DAA of the *Corporations Act* as modified by ASIC Class Order 08/35 and any ASIC relief applicable to the Responsible Entity or the Fund. This Offer Booklet is not required to be lodged or registered with ASIC and no product disclosure statement for the Entitlement Offer will be prepared.

5.2 Availability of Offer Booklet

Unitholders with registered addresses in Australia and New Zealand can obtain a copy of this Offer Booklet during the Offer Period on the Responsible Entity's website at www.ruralfunds.com.au/rural-funds-group/. If accessing the document electronically, make sure that you download the Offer Booklet in its entirety. Alternatively, you can call Rural Funds Management on 1800 026 665 (within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEDT), Monday to Friday.

Eligible Unitholders with registered addresses in Australia and New Zealand will be sent a copy of this Offer Booklet and their Entitlement and Acceptance Form. You should ensure that you read the Offer Booklet and the Entitlement and Acceptance Form in their entirety.

The electronic version of this Offer Booklet on the Responsible Entity's website will not include a personalised Entitlement and Acceptance Form. You will only be entitled to accept the Entitlement Offer by completing your personalised Entitlement and Acceptance Form which accompanies this Offer Booklet, or by making a payment of Application Monies via BPAY using the information contained on your personalised Entitlement and Acceptance Form (refer to section 2.2.2 for further information). Please carefully read the instructions on the accompanying Entitlement and Acceptance Form.

Unitholders in other jurisdictions, or who are US Persons, or are acting for the account or benefit of US Persons, are not entitled to access the electronic version of the Offer Booklet on the Responsible Entity's website.

5.3 Continuous disclosure

The Fund is a "disclosing entity" under the *Corporations Act* and is subject to regular reporting and disclosure obligations under the *Corporations Act* and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

The Responsible Entity is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to markets conducted by the ASX. In particular, the Responsible Entity has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately if there is, or becomes aware of, any information which a reasonable person would expect to have a material effect on the price value of Units in the Fund. That information is available to the public from the ASX.

Some documents are required to be lodged with ASIC in relation to the Fund. These documents may be obtained from, or inspected at, an ASIC office.

5.4 Not investment advice

The Responsible Entity recommends that you consult your professional adviser before deciding to invest. The information provided in this Offer Booklet does not constitute financial product advice and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs. The information should not be considered to comprise all the information which a Unitholder may require in order to determine whether or not to subscribe for New Units.

5.5 Risks

The Investor Presentation details important factors and risks that could affect the financial and operating performance of the Fund. Please refer to “Key Risks” in the Investor Presentation located at section 3 of this Offer Booklet for details. You should consider these risk factors carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Entitlement Offer.

5.6 Financial information

The Summary Financials as set out in the Investor Presentation at section 3 of this Offer Booklet have been prepared in abbreviated form in accordance with the recognition and measurement principles of AIFRS. However, they do not contain all the disclosures that are usually provided in an annual report prepared in accordance with the *Corporations Act*.

The Summary Financials have not been subject to audit.

5.7 No authorisation

No person is authorised to give any information or make any representation in connection with the Entitlement Offer, which is not contained in this Offer Booklet. Any information or representation not contained in this Offer Booklet may not be relied on as having been authorised by the Responsible Entity in connection with the Entitlement Offer.

5.8 No cooling-off rights

Cooling-off rights do not apply to a subscription for New Units under the Entitlement Offer. This means that you cannot withdraw your Application once it has been accepted, except as required by law.

5.9 Foreign jurisdictions – restrictions and limitations

The Entitlement Offer will not be made to Unitholders with registered addresses outside Australia and New Zealand. The Responsible Entity has determined that it would be unreasonable to make the retail component of the Entitlement Offer to Unitholders residing outside Australia or New Zealand, having regard to the number of relevant Unitholders outside of Australia and New Zealand and the costs in complying with the legal and regulatory requirements outside those jurisdictions.

No action has been taken to register the New Units or otherwise permit an offering of New Units in any jurisdiction outside Australia and New Zealand. This document has not been registered, filed with, or approved by any New Zealand regulatory authority under the *Securities Act 1978 (New Zealand)*. This Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer of Units in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person.

The distribution of this Offer Booklet and/or the Entitlement and Acceptance Form outside Australia and New Zealand may be restricted by law. If you come into possession of this Offer Booklet and/or the Entitlement and Acceptance Form, you should observe any such restrictions and should seek your own advice on those restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

5.10 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Offer Booklet or any Entitlement and Acceptance Form in any country outside Australia, except to beneficial holders of Units in New Zealand.

5.11 Underwriting arrangements and fees

The Underwriters have underwritten the full amount of the Entitlement Offer on the terms set out in the Underwriting Agreement. Customary with these types of arrangements:

- a. the Underwriting Agreement includes a number of termination events, including market related termination events in respect of a 10% fall in the S&P/ASX All Ordinaries;
- b. the Underwriter will receive:
 - i. an underwriting fee of an amount equal to 3.25% (exclusive of GST) of the offer proceeds for the Entitlement Offer; and
 - ii. a management fee of an amount equal to 1% (exclusive of GST) of the offer proceeds for the Entitlement Offer.

The Responsible Entity, on behalf of the Fund, has agreed to indemnify the Underwriters and others against their losses in connection with the Entitlement Offer.

The Underwriters are able to procure any person to sub-underwrite the Entitlement Offer.

5.12 Sub-underwriting by RFM

The Responsible Entity has contracted with the Underwriters to sub-underwrite the Entitlement Offer by up to \$5 million. Units issued to the Responsible Entity under this arrangement will be at the same price and on the same terms as those offered under the Entitlement Offer.

David Bryant the Managing Director of the Responsible Entity holds a controlling interest in the Responsible Entity. In the event the Responsible Entity is called upon to take up its sub-underwriting obligations, David Bryant's relevant interest in RFF will increase from 3,697,023 Units to 8,811,249 Units which is an increase from 2.793% to approximately 5.360% of the total Units on issue.

5.13 Indemnities

Subject to certain exceptions, the Responsible Entity has agreed to indemnify the Underwriter, their affiliates, related bodies corporate, directors, officers, employees, partners, agents and advisers (each an Indemnified Party) from and against all losses incurred by, or claims made against, an Indemnified Party in connection with the offer and appointment of the Underwriters under the Underwriting Agreement.

5.14 Consents

None of the parties referred to in the Corporate Directory of this Offer Booklet (other than the Responsible Entity), have made or authorised the making of any statement that is included in this Offer Booklet or any statement on which a statement in this Offer Booklet is based.

To the maximum extent permitted by law, each of these parties expressly disclaims and takes no responsibility for any statements in or omissions from this Offer Booklet other than references to its name or a statement or report included in this Offer Booklet with the consent of that party as specified above.

5.15 Directors' intention

The Directors of the Responsible Entity intend to apply for their full Entitlement.

5.16 Privacy

As a Unitholder, the Responsible Entity and the Registry have already collected certain personal information from you. If you apply for New Units, the Responsible Entity and the Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of New Units, service your needs as a Unitholder, provide facilities and services that you request and carry out appropriate administration.

To do that, the Responsible Entity and the Registry may disclose your personal information for purposes related to your unitholding to their agents, contractors or third party service providers to whom they outsource services. In addition, your personal information may be used by the Responsible Entity in order to assess your application for New Units, and by the Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation and distribution of Unitholder information and for handling of mail, or as otherwise authorised under the *Privacy Act 1988 (Cth)*.

If you do not provide us with your personal information, we may not be able to process your application. In most cases, you can gain access to your personal information held by (or on behalf of) the Responsible Entity or the Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

You can request access to your personal information by telephoning or writing to the Responsible Entity, through the Registry as follows:

Boardroom Limited Pty Ltd
GPO Box 3993
SYDNEY NSW 2001
Ph: 1300 737 760

5.17 Governing law

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the law applicable in New South Wales, Australia. Each Unitholder who applies for New Units submits to the jurisdiction of the courts of New South Wales, Australia.

Glossary

Term	Definition
\$ or A\$ or dollars	Australian dollars
ABN	Australian Business Number
Additional New Units	Any New Units in excess of Entitlements
AEDT	Australian Eastern Daylight Savings Time
AIFRS	Australian equivalents to International Financial Reporting Standards
Allotment	The allotment of New Units issued under the Entitlement Offer for which valid Applications have been received by the Closing Date
Allotment Date	The date of the Allotment, being Wednesday, 28 October 2015
Application	An application to subscribe for New Units under the Entitlement Offer
Application Monies	Monies received from applicants in respect of their Applications
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange
ASX Announcement	The announcement released to ASX on Monday, 28 September 2015 in connection with the Entitlement Offer and included in this Offer Booklet in section 3
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX
BPAY	Refers to BPAY®, a wholly owned subsidiary of Cardlink Services Limited ACN 003 311 644, being a fast, secure and convenient bill payments service offered through over 156 Australian financial institutions
Closing Date	The last date for Eligible Unitholders to lodge an Application, being 5.00pm (AEDT), Wednesday, 21 October 2015
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Eligible Unitholder	A Unitholder on the Record Date who: <ul style="list-style-type: none"> • has a registered address in Australia or New Zealand; • is not in the United States and is not a US Person and is not acting for the account or benefit of a US Person; and • is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.
Entitlement	The entitlement to 2 New Units for every 13 Existing Units held on the Record Date by Eligible Unitholders
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Offer Booklet upon which an Application can be made
Entitlement Offer	The offer of New Units to Eligible Unitholders in accordance with their Entitlement as described in section 1.1
Existing Unit	A Unit on issue on or before the Record Date
Fund	Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 trading as RFF

Term	Definition
Indemnified Party	Parties indemnified by the Responsible Entity in connection with the offer as disclosed in section 5.13
Investor Presentation	The investor presentation in connection with the Entitlement Offer dated 28 September 2015 and included in this Offer Booklet in section 3
Initial Acceptance Due Date	The last date for Eligible Unitholders to lodge an Application to be allotted New Units
Lead Managers	Wilson HTM Corporate Finance Ltd and Bell Potter Securities Limited
New Units	The Units offered under the Entitlement Offer
Offer Booklet	This booklet dated 28 September 2015, and includes the Investor Presentation and the ASX Announcement
Offer Period	The period commencing on the opening date of the Entitlement Offer, as specified in the "Key Dates" section of this Offer Booklet, and ending on the Final Closing Date (being 9.00am (AEDT), Wednesday, 7 October 2015 to 5.00 pm (AEDT), Wednesday, 21 October 2015)
Placement	The offer and allotment of New Units to institutional and sophisticated investors
Responsible Entity or RFM	Rural Funds Management Limited (ABN 65 077 492 838), as responsible entity of the Fund
Record Date	The time and date for determining which Unitholders are entitled to an Entitlement under the Entitlement Offer, being 7.00pm (AEDT) on Friday, 2 October 2015
RF Active	RF Active ARSN 168 740 805
RFF	Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805
Rural Funds Trust	Rural Funds Trust ARSN 112 951 578
Securities Act	The <i>US Securities Act of 1933</i> , as amended
Underwriters	Wilson HTM Corporate Finance Ltd AFSL No. 238383 and Bell Potter Securities Limited AFSL No. 243480
Underwriting Agreement	The Underwriting Agreement dated 25 September 2015 between the Responsible Entity and the Underwriters, as described in section 5.11
Unit	A stapled security comprising one fully paid, ordinary unit in Rural Funds Trust which is stapled to one fully paid, ordinary unit in RF Active
Unitholder	The registered holder of an Existing Unit
US or United States	United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Person	The meaning given in Rule 902(k) of Regulation S under the <i>US Securities Act 1933</i> , as amended

Corporate directory

Rural Funds Group (ASX: RFF)
Rural Funds Trust ARSN 112 951 578
RF Active ARSN 168 740 805

Responsible Entity

Rural Funds Management Limited
ACN 077 492 838
AFSL 226701

Joint Lead Managers and Underwriters

Wilson HTM Corporate Finance Ltd
Level 14
99 Elizabeth Street
SYDNEY NSW 2000

Bell Potter Securities Limited
Level 29
101 Collins Street
MELBOURNE VIC 3000

Unit Registry

Boardroom Pty Limited
Level 12
225 George Street
SYDNEY NSW 2000

Legal Advisers

McCullough Robertson Lawyers
Level 16
55 Hunter Street
SYDNEY NSW 2000

Financial Auditor of Rural Funds Group

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 1171

Eligible Unitholder Declarations

Important

If you make an Application, you will be taken to make the following declarations to the Responsible Entity:

- Agree to be bound by the terms of the Entitlement Offer;
- Authorise the Responsible Entity to register you as the holder of the New Units allotted to you;
- Declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- Declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations;
- Acknowledge that once the Responsible Entity receives the Entitlement and Acceptance Form or any payment of Applications Monies via BPAY, you may not withdraw it;
- Agree to apply for the number of New Units specified in the Entitlement and Acceptance Form or for which you have submitted payment of any Application Monies via BPAY at the issue price of \$1.10 per New Unit;
- Agree to be issued the number of New Units that you apply for;
- Authorise the Responsible Entity, the Underwriters, the Registry and their respective officers or agents, to do anything on your behalf necessary for the New Units to be issued to you, including to act on instruction of the Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- Declare that you are the current registered holder of Existing Units and are an Australian or New Zealand resident;
- Acknowledge that the information contained in this Offer Booklet and the Entitlement and Acceptance Form is not investment advice nor a recommendation that New Units are suitable for you given your investment objectives, financial situation or particular needs and is not a product disclosure statement, does not contain all of the information that you may require in order to assess an investment in the Fund and is given in the context of the Fund's past and ongoing continuous disclosure announcements to the ASX;
- Represent and warrant that the law of any other place does not prohibit you from being given this Offer Booklet and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Units;
- Acknowledge the statement of risks in the "Key Risks" section of the Investor Presentation located at section 3 of this Offer Booklet, and that investments in the Fund are subject to investment risk;
- Acknowledge that neither the Responsible Entity, its directors, officers, employees, agents, consultants, nor advisers, nor the Underwriters, guarantees the performance of the Fund, nor do they guarantee the repayment of capital from the Fund;
- Represent and warrant (for the benefit of the Responsible Entity, the Underwriters and their respective affiliates) that you are not in the United States and that you are not acting for the account or benefit of a US Person;
- Acknowledge that the Entitlements and the New Units have not and will not be registered under the *Securities Act* of the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia and New Zealand and accordingly, the Entitlements may not be taken up and the New Units may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of any US Person, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the *Securities Act* and any other applicable securities laws;
- Agree not to send the Offer Booklet, the Entitlement and Acceptance Form or any other material relating to the Offer to any person in the United States or that is acting for the account or benefit of a US Person; and
- Agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and/or your holding of Units on the Record Date.



Rural Funds Management Ltd

ABN 65 077 492 838

AFSL 226701

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