

ASX Release

23 October 2017

Subject: Rural Funds Group acquires established Queensland cattle aggregation

Rural Funds Management Limited (RFM) as responsible entity and manager of the Rural Funds Group (RFF), has contracted to acquire three, contiguous cattle properties in Northern Queensland for \$53.0 million (inclusive of stamp duty) as part of a \$72.5 million transaction. The acquisition will be funded by balance sheet capacity, following the June 2017 Entitlement Offer.

The properties, Natal Downs, Longton and Narellan, referred to as Natal, encompass an area of 390,600 hectares and are situated south west of Charters Towers. The properties will be acquired from members of the Camm Agricultural Group (CAG) a family business that has been operating for more than 20 years and leased to, DA & JF Camm Pty Ltd (Camm) also a member of CAG. The lease will be for a period of ten years, indexed annually at 2.5% and with a market review at the end of year five.

RFM has identified development opportunities to increase the carrying capacity of the properties and has budgeted to provide \$2.5 million for the lessee to undertake productivity capital expenditure. The lessee will receive a performance fee of \$2 million subject to meeting pre-agreed development points prior to December 2018.

To fully utilise the increased carrying capacity of the properties, RFF will provide a livestock lease facility of \$5 million to the lessee. The facility allows the lessee to acquire trade cattle, with RFF retaining ownership of the cattle, and the lessee contributing 20% of the value of the cattle at the time of purchase.

The security arrangements associated with the transaction require that Camm provide first mortgages over two properties independently valued at more than \$20 million as security for its lease, loan and livestock facility. To enable RFF to receive first mortgage security, RFF will provide a loan to Camm of \$10 million. The net security position represents greater than two years of lease payments.

Natal builds on RFF's cattle assets acquired in 2016 and is part of the strategy that identifies natural resource predominant assets with the potential for capital growth through property improvements. Once the transaction is complete, cattle assets will represent 16% of the RFF portfolio.

Rural Funds Group | ASX: RFF



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The acquisition is expected to increase FY18 AFFO from 12.5 cents per unit (cpu) to 12.7 cpu. FY18 total forecast distributions remain unchanged at 10.03 cpu, an increase of 4% on FY17. Gearing will increase from 28.5% to 36.4% on a pro forma 30 June 2017 basis.

An RFF Corporate Presentation has been uploaded today to the ASX, providing further details on the acquisition and updated portfolio information.

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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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