

ASX Release

27 August 2018

Subject: Queensland cattle and cotton property acquisitions

Rural Funds Management Limited (RFM), as responsible entity and manager for the Rural Funds Group (RFF), has contracted to acquire two Queensland properties.

Cattle property acquisition: Cerberus

Cerberus is an 8,280 hectare (ha) cattle breeding and backgrounding property located 140 km north west of Rockhampton in central Queensland. The purchase price is \$10.0m.

The lessee will be Katena Pty Ltd, trading as Bryant Beef. Note, this entity has no commercial or familial relationship with David Bryant. The lease will run for 10 years and includes a rent review in year five. The lease rate is consistent with existing cattle property leases. A security deposit equal to 12 months rent will be provided by the lessee. In addition, RFF will provide a \$1.6m cattle finance facility.

A stage one development program, forecast to cost \$2.5m, aims to increase carrying capacity by 28% and improve infrastructure. Development capital expenditure will attract additional rent. The lessee will carry out the development and will be eligible for a fee.

Cotton property acquisition: Mayneland

Mayneland is a 2,942 ha cotton property located 25 km north of Lynora Downs, another cotton property owned by RFF in central Queensland. The purchase price including plant and equipment is \$18.0m.

The property has 531 ha of irrigated area and 1,757 ha of dryland area. Included with the purchase is 11,234 ML of water entitlements, of which a significant portion is unutilised. A stage one development of an additional 579 ha of irrigated area and a 2,500 megalitre (ML) water storage is expected.

RFM intends to engage an independent party to run a process to select a lessee. Cotton JV, a joint venture between Queensland Cotton Corporation and RFM, is likely to participate in the process.

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RFM will operate the property until the completion of the current cotton crop and will pay rent on terms consistent with Cotton JV's lease of Lynora Downs. This will ensure continuity of income to RFF and allow sufficient time to conduct the process of selecting a lessee prior to the FY20 cotton season.

Summary

The announced acquisitions are consistent with RFF's strategy to acquire assets which:

- may benefit from productivity improvements
- add to the frequency of rent reviews
- are in sectors in which RFM has experience and expertise
- enhance diversification by sector, climatic zone and lessee.

Settlement of the properties is expected to occur in September 2018 and will be debt funded. As at 30 June 2018 pro forma gearing was 25%, with a target range of 30-35%.

Current FY19 forecast adjusted funds from operations of 13.2 cents per unit and distributions of 10.43 cents per unit remain unchanged.

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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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