Rural Funds Group | ASX: RFF

Managed by: Rural Funds Management — Managing good assets with good people

Notice of Meetings and Explanatory Memorandum

To be held on Friday, 4 February 2022 at 11:00am (AEDT) at the offices of Rural Funds Management Limited, Level 2, 2 King Street Deakin ACT 2600.

This Notice of Meetings and Explanatory Memorandum is issued by Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701) (**RFM**) as the Responsible Entity of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 collectively referred to as Rural Funds Group or RFF.

THIS IS AN IMPORTANT DOCUMENT

Please read the information in this document carefully. It is important that you either attend the Meetings, or complete and lodge the enclosed Proxy Form or lodge your proxy electronically.

To ensure compliance with any ACT COVID-19 restrictions, if you will be attending the Meetings in person, please contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (local Canberra time), Monday to Friday, or email investorservices@ruralfunds.com.au prior to the Meetings.

The Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.

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1. Letter from the Chairman

Dear Unitholder

On behalf of Rural Funds Management Limited (**RFM**), the responsible entity and manager of Rural Funds Group (**RFF**), it is my pleasure to invite you to the Meetings of RFF unitholders (**Unitholders**) to be held at 11:00am (AEDT) on Friday, 4 February 2022 at the offices of Rural Funds Management Limited, Level 2, 2 King Street Deakin ACT 2600 (**Meetings**).

In August 2018, Unitholders approved the provision of a $75.0 million limited guarantee to J&F Australia Pty Ltd (**J&F**), a wholly owned subsidiary of RFM. This guarantee was approved with a ten-year term for which RFF is paid a monthly fee (**Guarantee Fee**). J&F has paid RFF the Guarantee Fee since August 2018.

At the same time, RFF agreed to purchase five of JBS Australia Pty Ltd's (**JBS**) Australian feedlots and leased those properties back to JBS. The Initial Guarantee allowed J&F to supply JBS with cattle, feed and associated costs used to stock feedlots.

On 14 April 2020, an increase to the guarantee to a total of $100.0 million (**Current Guarantee**) was approved by Unitholders. The FY21 return to RFF on the Current Guarantee was 10.6% (see section 4.4 of this document for further detail of historical returns).

Since the implementation of the arrangements between J&F and JBS (**JBS Arrangements**), the total cost of funding cattle entering the feedlots have increased due to increased cattle prices. High demand also continues for JBS's Australian grain fed beef products, both internationally and domestically. As a result of continued high demand and the increased cost of cattle, a further increase in the existing arrangements with JBS is required in order for J&F to continue funding the previously agreed level of cattle purchases. An increase to J&F's borrowings would require a commensurate increase in the amount of the Current Guarantee.

In order to facilitate JBS's immediate requirements, J&F requires a $14.0 million increase to the Current Guarantee, to support a commensurate increase in J&F's borrowings. However, Unitholder approval is being sought to increase the Current Guarantee by up to $32.0 million (the **Additional Guarantee**) to cover potential future operational requirements. If approved, the Additional Guarantee is expected to initially be $114.0 million in total, but with the flexibility to increase to maximum of $132.0 million if required.

The Additional Guarantee amount of $32.0 million is a variation to the Current Guarantee previously approved by Unitholders in August 2018 and April 2020. As J&F is a wholly owned subsidiary of RFM, the Additional Guarantee requires Unitholder approval under ASX Listing Rule 10.1.
The Meetings are therefore being convened to consider the Resolution to approve the Additional Guarantee.

The Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.

Details of the Resolution and the Guarantee are provided in the Notice of Meetings and Explanatory Memorandum accompanying this letter.

YOUR VOTE IS IMPORTANT

This Notice of Meetings and Explanatory Memorandum contains important information in relation to the Guarantee and a discussion of the benefits and risks of the Guarantee.

Please read the Notice of Meetings and the Explanatory Memorandum carefully in its entirety before making your decision and voting (whether in person, by corporate representative or by proxy) at the Meetings.

To ensure compliance with any ACT COVID-19 restrictions, if you will attend the Meetings in person, please contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (local Canberra time), Monday to Friday prior to the Meetings.

Yours sincerely,

Guy Paynter
Chairman

2. Location of Meetings and what you need to do

LOCATION OF MEETINGS

11:00am (AEDT) on Friday, 4 February 2022 at the offices of:

Rural Funds Management Limited
Level 2
2 King Street
Deakin ACT 2600

WHAT YOU NEED TO DO

Step 1: Read the Notice of Meetings and Explanatory Memorandum

This Explanatory Memorandum is intended to provide Unitholders with information about the proposed Resolution contained in the Notice of Meetings.

You should read this Explanatory Memorandum in full before making any decision in relation to the Resolution.

Please refer to the Glossary at section 7 for the meaning of any defined terms in this Explanatory Memorandum.

Step 2: Vote on the Resolution

The Meetings will be held at 11:00am (AEDT) on Friday, 4 February 2022 at the offices of:

Rural Funds Management Limited
Level 2
2 King Street
Deakin ACT 2600

You can vote on the Resolution by attending the Meetings and voting in person (or for a body corporate, by a corporate representative voting for you), by completing and returning the enclosed Proxy Form or lodging it electronically, as described on the Proxy Form.

Proxy Forms must be received by the Registry by 11:00am (AEDT) on Wednesday, 2 February 2022.

For details on how to complete and lodge the Proxy Forms, please refer to the instructions on the Proxy Forms.

3. Important notices

Purpose of this document

This Explanatory Memorandum has been prepared by Rural Funds Management Limited (**RFM**), as responsible entity and manager of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 collectively referred to as Rural Funds Group (**RFF**), to provide Unitholders with information regarding the Resolution to be considered at the Meetings.

A copy of this Explanatory Memorandum has been provided to the ASX pursuant to the Listing Rules. Neither the ASX nor any of its officers takes any responsibility for the contents of this document.

A number of defined terms are used in this Explanatory Memorandum. These terms are explained in section 7.

Not investment advice

The information contained in this Explanatory Memorandum does not constitute financial advice and has been prepared without considering the objectives, financial situation or needs of individuals (including financial and taxation issues). If you are in any doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser.

Disclaimer as to forward-looking statements

This Explanatory Memorandum contains certain “forward-looking statements”.

The forward-looking statements in this Explanatory Memorandum reflect views held only as at the date of this Explanatory Memorandum, and generally may be identified by the use of forward-looking words, such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “predict”, “guidance”, “plan” or other similar words. Indications of, and guidance on, future earnings, distributions and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors - many of which are beyond the control of RFM, RFF, and their officers, employees, agents and advisers - that may cause actual results to differ materially from those expressed or implied in any forward-looking statements. Those risks and uncertainties include factors and risks specific to the industry in which RFF operates, as well as general economic conditions, prevailing exchange rates and interest rates, and conditions in the financial markets. The historical performance of RFF is no assurance of its future financial performance. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. RFM does not guarantee any particular rate of return or the performance of RFF, nor does it guarantee the repayment of capital from RFF or any particular tax treatment.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Explanatory Memorandum has been prepared in accordance with laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with laws and regulations outside Australia.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of issue of this Explanatory Memorandum.

4. Explanatory Memorandum

4.1 What is being considered at the Meetings?

In August 2018, Unitholders in Rural Funds Group approved the provision of a $75.0 million limited guarantee (**Initial Guarantee**) to J&F Australia Pty Ltd (**J&F**). J&F is a wholly owned subsidiary of Rural Funds Management Limited (**RFM**). RFM is the responsible entity of the Rural Funds Group (**RFF**). Accompanying the Initial Guarantee was RFF's agreement to purchase five of JBS Australia Pty Limited's (**JBS**) Australian feedlots and the lease back of those properties to JBS. The Initial Guarantee allows J&F to supply JBS with cattle, feed and associated costs used to stock the RFF-owned feedlots as well as two additional contracted feedlots Smithfield and Yambinya (collectively, the **Feedlots**).

The Current Guarantee has a ten-year term for which RFF is paid a monthly fee (**Guarantee Fee**).

Since the implementation of the arrangements between J&F and JBS (**JBS Arrangements**), the total cost of cattle entering the feedlots have increased due to higher cattle prices. High demand continues for JBS's Australian grain fed beef products, both internationally and domestically. As a result of the higher cost of cattle and high demand, an increase in the existing arrangements between JBS and J&F is required. An increase to J&F's borrowings would require a commensurate increase in the amount of the Guarantee.

In order to facilitate JBS's immediate requirements, J&F will seek to increase its borrowings by $47.0 million. This increase requires a further increase of $14.0 million to the Current Guarantee to be provided by RFF. However, Unitholder approval is sought to increase the Current Guarantee by up to $32.0 million (the **Additional Guarantee**), to a maximum of $132.0 million (the **Guarantee**) to cover potential future operational requirements.

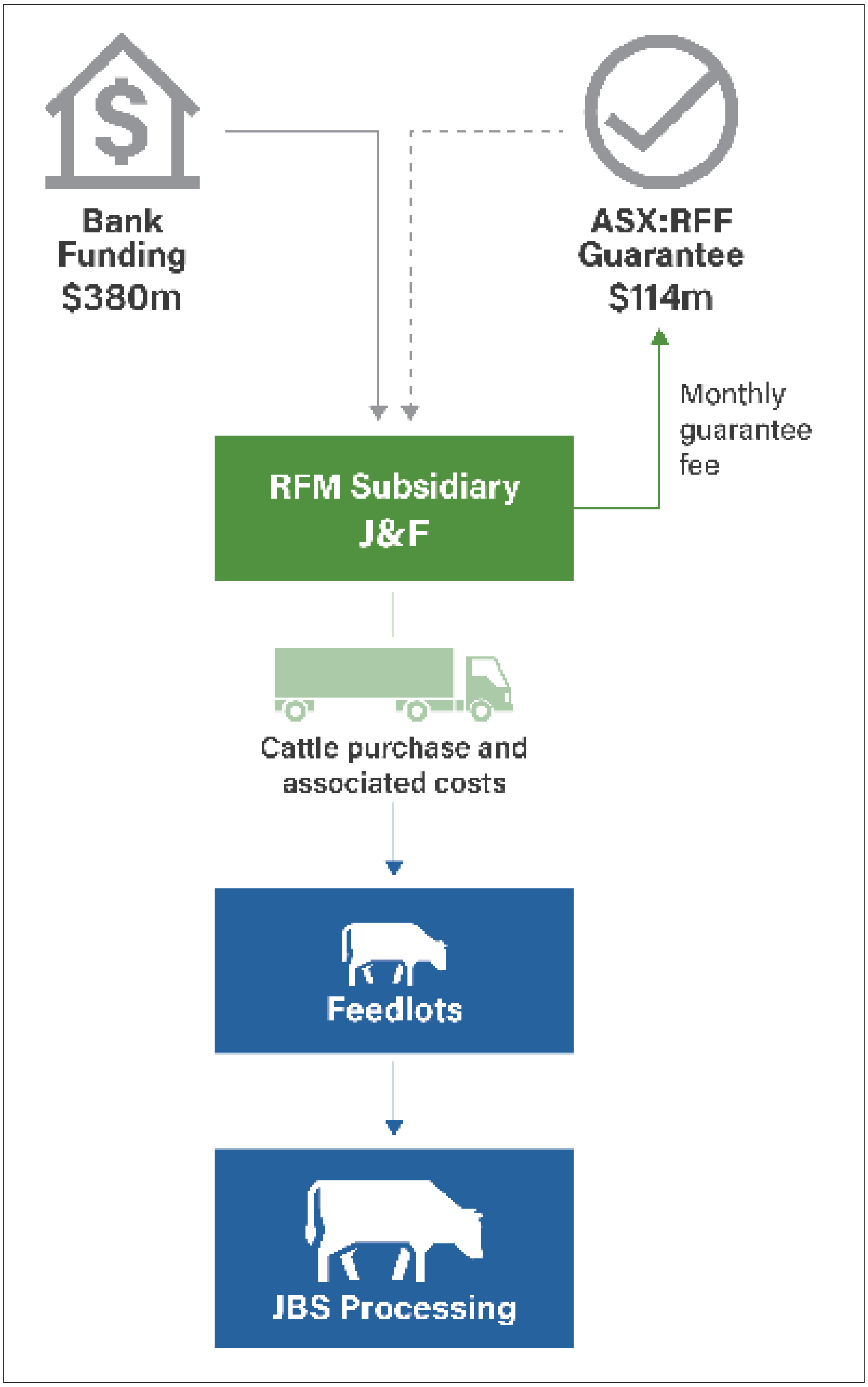
The Additional Guarantee amount of $32.0 million is a variation to the Current Guarantee approved by Unitholders in August 2018 and April 2020. As J&F is a wholly owned subsidiary of RFM, the Additional Guarantee also requires Unitholder approval under ASX Listing Rule 10.1.

The Meetings are therefore being convened to consider the Resolution to approve the Additional Guarantee.

4.2 Overview of the Guarantee

Figure 1 presents a diagramatical representation of the Guarantee.

Figure 1: Overview of the Guarantee[1]



1. J&F is a wholly owned subsidiary of RFM. RFM is also the responsible entity of RFF. The Additional Guarantee requires Unitholder approval.

Key terms of the Guarantee are consistent with what was previously approved by Unitholders in August 2018 and April 2020 and are shown at Figure 2.

Figure 2: Guarantee – key terms

Guarantee	A limited guarantee of up to $132.0 million (**Guarantee**) provided by RFF to J&F. Currently $100.0 million and utilised to $99.9 million, the utilised Guarantee will be immediately increased to $114.0 million following Unitholder approval. The Guarantee will: • earn a monthly income return, based on a cost plus arrangement on $114.0 million, net of RFF's interest savings (see 'Return' point and footnote 4); • not require a transfer of cash; • be treated as a contingent liability within RFF;[2] and • be used as security for up to $132.0 million of J&F's debt facility for cattle purchases, feed and other costs associated with finishing the cattle on the Feedlots. Any changes in interest costs are borne by JBS. JBS has retained responsibility for the management of the Feedlots and J&F has appointed JBS as its exclusive agent and manager. The bank loans totaling a maximum of $380.0 million[3] (or above that amount at RFM's discretion) will be supported by the cattle in the Feedlots and the Guarantee.
Future increase to Guarantee (capped at $132.0 million)	Unitholder approval is sought for a $32.0 million increase in the Guarantee from $100.0 million to $132.0 million. Of this Additional Guarantee amount, it is expected that $14.1 million will be made available to J&F immediately following Unitholder approval, taking the utilised Guarantee limit to a total of $114.0 million. This limit may be increased to $132.0 million in the future and is subject to approval by RFF's financiers (but is not subject to further Unitholder approval). Any future increases in the Guarantee from $114.0 million to $132.0 million will need to be agreed between J&F and RFF, in support of a request to increase J&F's debt facilities. Any increase will be on materially the same terms as currently in place. Following financier approval, the agreed amount of increase will be reflected in the J&F facility agreements, which require RFF execution before coming into effect.
What triggers the Guarantee?	Key events through which the Guarantee would be triggered are a JBS default, or cattle mortalities above the insured threshold. In the event of a JBS or J&F default: • J&F would cease buying cattle, and commence selling cattle in the Feedlots; • as cattle are sold, J&F bank loans would be repaid. Given that lot-fed cattle can gain up to 2kgs per day, and are sold on a per kg basis, a material fall in the cattle price would be required to crystallise a shortfall; and • the Guarantee would be called to cover any shortfall between J&F borrowings and cattle sales, but limited to $114.0 million, (or up to a maximum of $132.0 million if any future increases in the utilised Guarantee have been agreed).
JBS obligations	Baybrick Pty Ltd (**Baybrick**), a subsidiary of JBS S.A., guarantees the obligations of JBS.
Operating risk	RFF will not be directly exposed to operating risks of the Feedlots given the nature of the cattle agreements with JBS. JBS is responsible for cattle and feedlot management.
Mortalities	J&F is responsible for mortality of cattle above a certain threshold. RFM currently holds insurance for reasonable mortality risk above this threshold. See Risks, section 4.8.

2. A credit loss allowance will be recognised as a liability within RFF, considering the probability of the Guarantee being triggered. In FY21 this amount was $0.049 million.

3. For borrowings of $380.0 million the equivalent Guarantee would be $114.0 million. The Current Guarantee can support J&F bank loans totaling up to $333.0 million.

Return	The Guarantee will earn a return on equity calculated on the actual Guarantee amount being, following Unitholder approval, ▪ $114.0 million, ▪ with the potential to increase up to $132.0 million. When the Guarantee is $114.0 million, the return rate will flex between an agreed range, depending on the level of debt drawn within J&F. The minimum Guarantee return rate is calculated on drawn debt of $329.3 million and the maximum is calculated on drawn debt of $380.0 million. The Independent Expert has assessed the return rate to be in the range of 9.73% to 11.25%, subject to various adjustments and inclusive of interest rate offset savings in RFF.[4]
Term	No change to the initial ten-year term of the Guarantee, which expires on 22 August 2028.
Cattle ownership	Cattle are owned by J&F and act as security until they are acquired by JBS once they have achieved desired weight, typically after 100 – 180 days.
Management fee and cost recovery	Each month, J&F pays RFM: • a maximum management fee of 1.05% (exclusive of GST), calculated on the Guarantee of up to $132.0 million; and, • cost recovery. RFM will not charge any additional management fee within RFF and there is no management fee charged on the loan facilities.
Termination	Termination may be triggered by: • the withdrawal of the J&F bank loan; • JBS exercising the call option over the Feedlots from year 6 (termination is at RFM's option); • default of agreements between J&F and JBS.
Commencement	The Additional Guarantee is expected to be utilised from February 2022, subject to RFF Unitholder approval.

4.3 Ownership of J&F

RFM acquired J&F in August 2018. RFM's ownership of J&F, as opposed to it being owned by RFF, quarantines the operational risks and responsibiilities within J&F and limits RFF risk to the value of the Guarantee. Taking on the full operating risk and responsibility of the JBS Arrangements would compromise RFF's REIT status.

J&F's profit is limited to 1.05% per annum of the value of the Guarantee, which is equivalent to the RFM management fee charged in RFF. RFM does not and will not profit from its ownership of J&F in excess of this 1.05%. If RFM in the future sells J&F, any profit from such a sale will be distributed to RFF (net of management fees, cost recoveries and costs of completing the sale).

4. *In July 2018, RFF completed a $149.5m equity raising, of which $75.0 million was utilised to repay debt. A result of the decreased borrowings was decreased interest rate charges. The Additional Guarantee may not result in similar interest rate savings.*

4.4 What is the impact of the Additional Guarantee on RFF?

J&F has paid RFF the Guarantee Fee since August 2018. The return to RFF over the subsequent period has been:

Figure 3: RFF historical returns from the Guarantee

	FY21 $ million	Comments
Guarantee amount	**$89.8**	Average Guarantee for the year. Utilised Guarantee increased from $82.5m to $99.9m in February 2021.
Finance income	$7.1	J&F revenue recognised as finance income. See note G2 of RFF FY21 financial accounts.
Interest saving	$2.4	Average cost debt for period including hedging is 3.2%[5] calculated on $75m.
Actual benefit for year, net of management fee	**$9.5**	
Return for period	10.60%	

Changes to key portfolio metrics based on an increase to the Guarantee are shown in Figure 4.

FY22 pro forma forecasts assume the J&F facility is in place for the full financial year.

Figure 4: Financial impact

		FY22		
	FY22 Forecast Disclosed 29 November 2021	$99.9m full utilisation proforma	$114.0m full utilisation proforma	$132.0m full utilisation proforma[6]
Guarantee	$99.9m	$99.9m	$114.0m	$132.0m
J&F facility limit	$333.0m	$333.0m	$380.0m	$440.0m
AFFO per Unit	11.8 cents	11.8 cents	12.2 cents	12.6 cents
DPU	11.73 cents	11.73 cents	11.73 cents	11.73 cents
AFFO payout ratio	99.4%	99.4%	96.1%	93.1%
Gearing[7]	31.9%	31.9%	31.9%	31.9%
LVR[8]	42.6%	42.6%	43.8%	45.3%

Assuming Unitholder Approval of the Additional Guarantee, FY22 forecast AFFO will increase to 11.9 cents per Unit.

5. *See page 9 of the RFF FY21 results presentation, found at https://ruralfunds.com.au/investor-centre/key-documents/*
6. *Assumes same return rate as $114.0 million full utilisation proforma. Any increase in the J&F debt facilities of the Guarantee will require approval from each entity's financier.*
7. *Proforma Gearing as at 30 June 2021. Includes $100m equity raising disclosed 8 July 2021, transaction costs ($3.0m), and acquisition of water assets ($38.4m), Baamba Plains and The Pocket ($45.8m), Beerwah & Bauple ($63.1m), Kaiuroo deposit ($17.2m)*
8. *Proforma LVR as at 30 June 2021. Includes $100m equity raising disclosed 8 July 2021, transaction costs ($3.0m), and acquisition of water assets ($38.4m), Baamba Plains and The Pocket ($45.8m), Beerwah & Bauple ($63.1m), Kaiuroo deposit ($17.2m)*

4.5 Why is Unitholder approval being sought?

ASX Listing Rules require that Unitholders approve the Additional Guarantee before it can be entered into. Unitholder approval is required under ASX Listing Rule 10.1 because the Additional Guarantee:

- is an agreement with a related party[9] (pursuant to Listing Rule 10.1.1), due to RFM acting as both the responsible entity for RFF and controlling J&F; and
- has a value of up to $132.0 million which represents 20.4% of the equity interests of RFF (as at 30 June 2021). The Guarantee is therefore a "substantial asset" of RFF, given it exceeds 5% of equity interests in RFF.

The Resolution to approve the Guarantee may be passed by a majority of non-associated Unitholders voting under an ordinary resolution (greater than 50% of votes being cast in favour of the Resolution).

4.6 Funding

The Guarantee does not require a transfer of cash from RFF. The amount of the Guarantee is included in the calculation of RFF's LVR,[10] but does not impact its gearing.[11] As the Guarantee is included in the LVR calculation, it will reduce the available headroom under the RFF debt facilities.

RFM has completed the increase and refinance of part of RFF's debt facilities in December 2021. As part of this refinance, the LVR covenant has been increased from 50% to 55% for all of RFF's debt facilities.

4.7 Advantages of the Guarantee

The anticipated advantages to RFF of the Guarantee include:

1. AFFO accretive

The return rate on the Guarantee to J&F ranges between 9.68% to 11.21% and will be AFFO accretive. The Guarantee has to date produced high income returns for RFF (see section 4.4).

2. Counterpart strength

JBS is the largest cattle processor in Australia and is a subsidiary of Baybrick and the ultimate parent company, JBS S.A. Baybrick guarantees the obligations of JBS under the Agreements.

JBS S.A. is the second largest food company worldwide, measured by revenue. In August 2021, Standard & Poors upgraded the JBS S.A. credit rating from BB to BB+, with a positive outlook.

Figure 5: JBS S.A. credit rating by agency

Agency	Scale	Rating	Outlook	Comments
Fitch	Global	BB+	Stable	Upgraded from BB+ Aug 2021
Moody's	Global	Baa3	Stable	Upgraded from Ba2 May 2021
Standard & Poor's	Global	BB+	Positive	Unchanged Aug 2021

JBS S.A. has a market capitalisation of approx. USD20.4 billion as at 10 December 2021.

JBS S.A. noted in its 3Q21 results that JBS increased total exports by approx. 47.8% (year on year), with exports to China and Hong Kong being 28% of all exports.

In March 2021 JBS announced its goal to become Net Zero greenhouse gas emissions by 2040. With this, the company is dedicated to neutralise its balance of greenhouse gas emissions, considering its direct emissions as well as those from the entire value chain.

9. *Under Chapter 19 ASX Listing Rules, the definition of related party includes 'in relation to an externally managed trust, the responsible entity of that trust'.*
10. *Loan to value ratio (LVR) is calculated as term debt drawn plus the Guarantee, divided by directly secured assets based on independent valuations.*
11. *Gearing is calculated as external borrowings divided by adjusted total assets.*

Further, JBS recently placed 11th in the global Coller Fairr Protein Producer Index. The ranking assesses 60 publicly traded global companies linked to the production of food products, in relation to Environmental, Social and Governance (ESG) issues. JBS's overall score has been improving consistently year after year, beginning at 38% in the inaugural edition of the index in 2018, going to 39% in 2019, jumping to 51% in 2020 and reaching 57% in the latest 2021 edition.

3. Consistent with REIT structure

The structure of the guarantee quarantines operating risks, responsibilities and maintains RFF's REIT structure.

4.8 Disadvantages of the Guarantee

The potential disadvantages for RFF as a consequence of the Guarantee include:

1. Counterpart risk

The Feedlots are leased to JBS and income from the Guarantee is solely derived from a cattle and agency agreement between J&F and JBS. There is a risk that JBS may default on its financial or operational lease obligations to RFF. Any financial default would reduce RFF's revenue and its ability to meet its debt obligations and to pay distributions. An operational default by JBS may require RFF to meet operating obligations until a new lessee is contracted. In the case of a default by JBS, the health or quality of the Feedlots may be adversely affected.

A guarantee is provided by Baybrick which reported net assets of $3.5 billion and net profit after income tax expense of $247.7 million in its December 2020 accounts. Baybrick is a wholly owned subsidiary of JBS S.A., a company that is listed on the Brazilian stock exchange. The JBS S.A. founders, who control 45% of JBS S.A., were in 2017 convicted of bribery and other similar charges in relation to activities associated with the Brazilian Government. RFM is not aware of any other misconduct or potential charges; however, it is possible that if further charges were to be laid in the future, the reputation or financial standing of JBS could be negatively impacted.

2. Variation in RFF's risk profile

The Guarantee represents a different risk proposition to RFF's historical portfolio. If the Additional Guarantee is approved by Unitholders, J&F will immediately be financed by $380.0 million of bank debt, backed by the Guarantee and the cattle acquired. In the event JBS, or Baybrick as guarantor, is unable to meet its obligations to J&F under the cattle and agency agreement, J&F will commence selling cattle in the Feedlots and use proceeds to repay the loan. If there is a shortfall between proceeds from the sale of cattle and the remaining loan balance, the Guarantee in favour of J&F would be called but limited to the amount drawn, a maximum of $132.0 million.[12]

3. Early termination and interest rate changes

The Guarantee commenced on 22 August 2018 and has a term of 10 years. No change will be made to the term of the Guarantee. In the event JBS exercises the call option over the Feedlots between year six and year ten, RFF may elect to terminate the Guarantee. This would result in a shorter investment timeframe for RFF.

There is also a risk of early termination associated with J&F banking facilities. By way of explanation, J&F has secured (subject to Unitholder approval of the Additional Guarantee) $380.0 million of funding from two major Australian banks. The current facilities are in place until August 2022. Although it is likely that they will be renewed, there is no guarantee that the funding will be available for the ten-year term of the cattle agreements. Under the cattle agreements, J&F has the right to terminate those agreements should funding not be available.

It is possible that the interest rate for the facility will be different at the time the facility is renewed. This risk is borne by JBS through a change to the rate paid to J&F under the cattle agreements.

4. Mortalities

The Feedlots being operated by JBS will be stocked with cattle that are owned by J&F. All cattle operations will be managed by JBS, which bears responsibility for mortalities up to a certain threshold.

12. If the Guarantee is at the maximum $132.0 million, the commensurate borrowing amount would be $440.0 million.

RFM mitigates reasonable mortality risk above this threshold through insurance. It is intended insurance be retained for the period of the lease; however, there is no guarantee that it will be obtainable for the entire lease term, or that the insurance will provide cover for all events or diseases that may occur in the future. Any claim on the policy will incur a deductible (excess). In addition, although J&F will meet the cost of insurance, any increase in the cost of the premium would result in a net decrease in the return paid to RFF.

Mortalities for November 2020 to October 2021 were approximately 1.2% (calculated as a percentage of monthly sales).

4.9 What happens if the Additional Guarantee is approved?

If approved by Unitholders, it is expected that an additional $14.0 million of the Additional Guarantee will be made available to J&F immediately, taking the Guarantee limit to a total of $114.0 million. This may be increased up to $132.0 million in the future by agreement with RFF's financiers and without further Unitholder approval.

Section 4.4 of this Explanatory Memorandum has details of the expected financial impact on RFF if the Additional Guarantee is approved.

4.10 What happens if the Additional Guarantee is not approved?

If the Resolution is not passed at the Meetings, the Guarantee will not increase and will remain at $100.0 million. JBS may look for alternative funding sources to meet its operational needs and diversify its counterparts thereby reducing its reliance on the arrangement with J&F.

4.11 Risks associated with the Guarantee

Counterpart risk

There is a risk that JBS may default on its financial or operational lease obligations to J&F or RFF. Any financial default would reduce RFF's revenue and its ability to meet its debt obligations and to pay distributions. An operational default by a counterpart may require RFF to meet operating obligations until a new lessee is contracted. In the case of a default by a counterpart, the health or quality of RFF's asset may be adversely affected.

Solvency of Baybrick

Baybrick has guaranteed JBS' performance under the various transaction documents. There is therefore a risk that, in the event of insolvency, Baybrick would not be able to honour the guarantee. However, Baybrick is an entity of substance with reported net assets of $3.5 billion and net profit after income tax expense of $247.7 million in its December 2020 accounts.

Reputational risk

JBS is a wholly owned subsidiary of JBS S.A., a company that is listed on the Brazilian stock exchange. The JBS S.A. founders, who control 45% of the JBS S.A. stock, were in 2017 convicted of bribery and other similar charges in relation to activities associated with the Brazilian Government. RFM is not aware of any other misconduct or possible charges; however, it is possible that if charges were laid in the future, the reputation or standing of JBS could be impacted.

Cattle mortality risk

The Feedlots are stocked with cattle that are owned by J&F, a wholly owned subsidiary of RFM. All cattle operations will be managed by JBS, which bears responsibility for mortalities up to a certain threshold. RFM intends to mitigate reasonable mortality risk above this threshold through insurance. It is intended insurance be retained for the period of the lease; however, there is no guarantee that it will be obtainable for the entire lease term, or that the insurance will provide cover for all events or diseases that may occur in the future. Any claim on the policy will incur a deductible (excess). In addition, although J&F will meet the cost of insurance, any increase in the cost of the premium would result in a net decrease in the return paid to RFF.

Variation in RFF's risk profile

RFM's business strategy for RFF is focused on building RFF's portfolio and cash yield through the management, acquisition and development of agricultural assets. In 2018, the provision of the Guarantee was a different risk proposition to RFF's portfolio. The Guarantee will be used as security for $114.0 million (and up to $132.0 million) of J&F's borrowings. The Guarantee ranks behind the J&F borrowings in the event of J&F default.

4.12 Value of the financial benefit received by RFM

RFM will charge J&F a management fee of 1.05% p.a. This management fee is calculated on the value of the Guarantee, and not on the total J&F borrowings. This management fee, along with costs recovery, is paid monthly by J&F to RFM. If RFM in the future sells J&F, any profit from such a sale will be distributed to RFF (net of management fees, cost recoveries and costs of completing the sale).

4.13 Directors interests

Mr David Bryant, the Managing Director of RFM, owns 80.20% of the issued shares in RFM. Mr Guy Paynter, the Chairman of RFM, owns 4.22% of the issued shares in RFM. The remaining shares on issue in RFM are held by RFM staff.

Mr Michael Carroll, Mr Julian Widdup and Mrs Andrea Lemmon are independent directors and do not hold any shares or have any financial interest in RFM.

The Board of RFM (consisting of all directors other than Mr Bryant and Mr Paynter) has considered these disclosures as required by the Directors' Conflict of Interest Policy, having regard to the nature of the interests disclosed and all relevant circumstances, and resolved that Mr Bryant and Mr Paynter should not be disqualified from participating in discussions or decisions of the Board of RFM relating to the Additional Guarantee, but should abstain from making or participating in any recommendation to Unitholders in relation to the Guarantee.

4.14 Opinion of the Independent Expert

In accordance with the ASX Listing Rules and Corporations Act, RFM engaged Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**) to review the Guarantee and provide an independent expert's report setting out whether the Guarantee is fair and reasonable to Unitholders not associated with a party to the transaction.

The Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.

A copy of the Independent Expert's Report is set out in section 5 to this Explanatory Memorandum. Unitholders should read the Independent Expert's Report in full.

Grant Thornton
An instinct for growth™

Rural Funds Group

Independent Expert's Report and Financial Services Guide

17 December 2021

Independent Directors

Rural Funds Management Limited
as responsible entity for

Rural Funds Trust ARSN 112 951 578

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Deakin ACT 2600

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17 December 2021

Dear Independent Directors

Introduction

Rural Funds Group ("RFF" or "the Group") is an Australian real estate investment trust that owns a portfolio of Australian agricultural assets that are leased to agricultural operators. RFF is managed by Rural Funds Management Limited ("RFM"), an agricultural investment manager responsible for two funds, of which one is listed and RFF is the largest. RFF is listed on the Australian Securities Exchange ("ASX") and as at 10 December 2021 it had a market capitalisation of A$1.20 billion[1].

JBS S.A. is a company listed on the Brazilian stock exchange with a market capitalisation of circa A$20.4 billion[2]. Baybrick Pty Ltd ("Baybrick") is a wholly-owned subsidiary of JBS S.A. and is the parent company of 43 subsidiaries, including JBS Australia Pty Ltd ("JBS"). Baybrick specialises in meat packing and supplying grain and pasture fed meats to customers in Australia and overseas.

In August 2018, unitholders of RFF ("RFF Unitholders") approved the provision of a A$75.0 million limited guarantee ("Initial Guarantee") to J&F Australia Pty Ltd ("J&F"), a wholly-owned subsidiary of RFM. The Initial Guarantee was approved with a ten-year term for which RFF is paid a monthly fee ("Guarantee Fee"). J&F has paid RFF the Guarantee Fee since August 2018. In conjunction with entering into the Initial Guarantee, RFF purchased five of JBS's Australian feedlots for $52.7 million ("RFF-Owned Feedlots") and subsequently leased back those properties to JBS under a 10-year triple net lease[3] with CPI[4] indexation ("Sale and Leaseback"). On 14 April 2020, an increase to the Initial Guarantee to a total of $100.0 million ("Current Guarantee") was approved by Unitholders allowing J&F to increase the Finance Facilities up to an aggregate of A$333 million[5].

The guarantee allows J&F to supply JBS with cattle, feed and associated costs used to stock the RFF-Owned Feedlots as well as two additional contracted feedlots namely Smithfield and Yambinya (collectively "the Feedlots").

J&F funds the operations of the Feedlots (primarily the purchase of cattle) via bank debt ("Finance Facilities") provided by Rabobank Australia ("Rabobank") and Australia and New Zealand Banking Group Limited ("ANZ") (together "the Financiers"). Under the Current Guarantee, the Financiers have

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[1] Based on a closing share price of A$3.14 and 381,367,182 units on issue
[2] Based on a closing share price of 35.19 Brazilian Real ("BRL"), 2,329 million shares and an exchange rate of 4.01 BRL to one Australian Dollar as at 10 December 2021.
[3] A triple net lease is a lease agreement whereby the lessee promises to pay all the expenses of the property including real estate taxes, building insurance, and maintenance. These payments are in addition to rent and utilities fees.
[4] Consumer Price Index
[5] Consisting of a A$233 million working capital facility and a A$100 million term facility.

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first-ranking security over J&F's assets and RFF has second-ranking security ("the Security"), behind the Financiers. In return for providing the Current Guarantee, J&F pays RFF the Guarantee Fee based on a sliding rate which varies depending on the level of debt drawn under the Finance Facilities.

The purchasing and selling of cattle and the management of the cattle on the Feedlots is regulated through a Cattle Management Services and Feeding Agreement ("CMSFA") and Cattle Purchase and Sale Agreement ("CPSA"), together referred to as "Cattle Agreements[6]" between JBS and J&F.

In late 2021, as a result of strong market conditions and increasing cattle prices and demand, an increase in the existing arrangements between JBS and J&F is required to increase the value of cattle held in the feedlots. Accordingly, J&F proposes to enter into an agreement with the Financiers to increase the Finance Facilities by an initial A$47 million—to meet JBS's immediate requirements—which requires a proportional increase of A$14 million to the Current Guarantee from A$100 million to A$114 million, subject to approval of RFF Unitholders not associated with RFM ("Non-Associated Unitholders").

We note that RFF has elected to seek Non-Associated Unitholders approval to increase the Current Guarantee by up to A$32 million ("Additional Guarantee") to a maximum of A$132 million ("Guarantee") ("Proposed Transaction"). The additional headroom will allow J&F to increase the debt limit on the Finance Facilities up to a maximum of A$440 million[7] (subject to approval by the Financiers), without seeking further approval from Non-Associated Unitholders. Any future increase in the Guarantee from A$114 million to A$132 million will need to be agreed between J&F and RFF, in support of a request to increase J&F's debt facilities, which will be on substantially the same terms as currently in place. Following approval by the Financiers, RFF approval would be required to execute the increase. The increase in the Finance Facilities and Guarantee is being implemented by way of amending deeds, herein referred to as the "Facilities Deed of Amendment" and "Guarantee Deed of Amendment".

We note that the Financiers have preliminarily approved the increase in the Finance Facilities up to an aggregate of A$400 million, however the increase in the Guarantee to A$114 million only allows J&F to draw down a maximum amount of A$380 million without approval from RFF to increase the Guarantee above A$114 million. The increase in the debt limit to A$380 million consists of an increase in the working capital facility from A$233 million to A$266 million and an increase in the term facility from A$100 million to A$114 million. If Non-Associated Unitholders do not approve the Proposed Transaction, the working capital facility and term facility limits will remain at A$233 million and A$100 million respectively.

Below we provide a summary of the Finance Facilities based on the draft Facilities Deed of Amendment and original Finance Facilities agreement.

- *Working Capital Facility* - A$266 million committed, with the potential to increase to a maximum of A$308 million subject to a corresponding increase in the Guarantee and approval by RFF and the Financiers. The key terms are as follows:

[6] Refer to section 1.3 for the terms of the Cattle Agreements.
[7] Should J&F increase its Finance Facilities to the maximum amount of A$440 million, this would correspond with a A$132 million cash advance facility and a A$308 million working capital facility.

- For working capital purposes relating to the purchase of cattle and costs associated with the management of those cattle and the refinancing of existing debt facilities;
- A facility term of two years from August 2020, ending August 2022.
- Interest rate is based on a combination of the Bank Bill Swap Bid Rate ("BBSY") and an additional margin.
- An initial establishment fee for the facility and an unused fee payable on the undrawn portion of facility.
- Security in the form of the General Security Agreement in respect of the assets and undertakings of J&F.
- The facility drawdown may not exceed 80% of receivables, 85% of inventory (cattle) relating to sales of inventory to JBS and 70% of the value of cash held in a collection account plus 50% of feed costs. Receivables may not be more than 30 days overdue.
- If the Proposed Transaction is not approved, the committed working capital facility limit will remain at A$233 million.

• *Cash Advance Facility* - A$114 million committed, with the potential to increase the limit to A$132 million subject to a like-for-like increase in the Guarantee and approval by RFF and the Financiers. The key terms of which are as follows:
  - A facility term of two years from August 2020, ending August 2022.
  - Interest rate is based on a combination of the BBSY and an additional margin.
  - An initial establishment fee for the facility and an unused fee payable on the undrawn portion of the facility.
  - If the Proposed Transaction is not approved, the cash advance facility limit will remain at A$100 million.
  - Security in the form of:
    - o The Guarantee, which applies only for this facility.
    - o A General Security Agreement in respect of the assets and undertakings of J&F ("Secured Assets").

Key terms of the Guarantee are as follows:

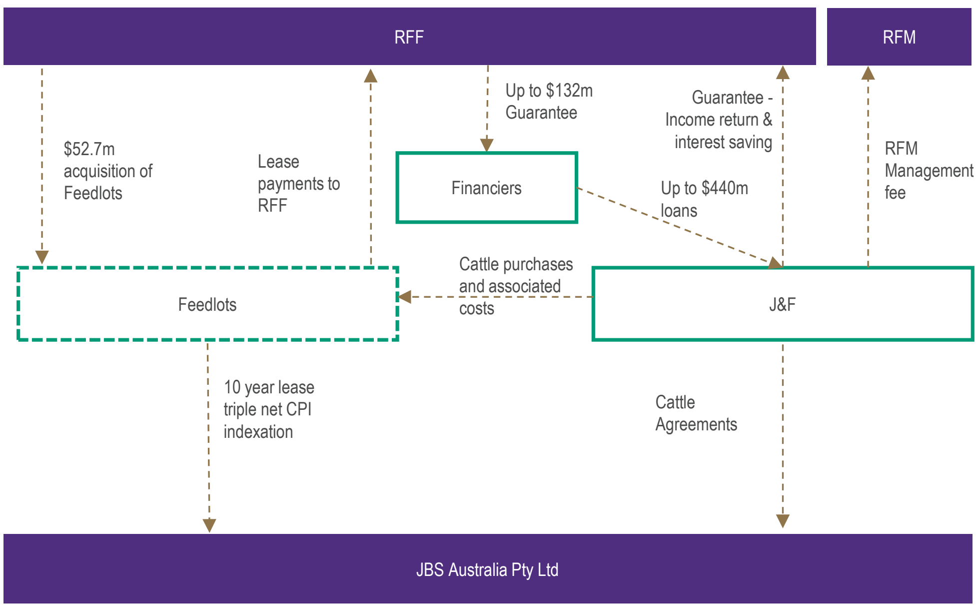
• The term is 10 years to 2028, in line with the Cattle Agreements (the expectation is that the above Finance Facilities will extend over the duration of the Cattle Agreements).

• Guarantee Fee - effectively a sliding rate depending on the balance of the facility above A$329.3 million adjusted for any cash held as collateral, less insurance costs, interest costs and less a sliding management fee paid to RFM of 1.05% calculated on the Guarantee ("RFM Management Fee"). We note that the maximum RFM Management Fee is 1.05%, assuming the Cash Advance Facility is fully drawn. The minimum RFM Management Fee is 0.91% of the Guarantee amount.

- Second ranking security behind the Financiers on the Secured Assets of J&F.

On the following page, we provide a summary of the arrangements between RFF, J&F, JBS and RFM following the Proposed Transaction. We note that Non-Associated Unitholder approval is only being sought in relation to the increase in the Guarantee from A$100 million to a maximum of A$132 million.

The following diagram summarises the arrangements:



Source: Management

Purpose of the report

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated unitholders, if the company proposes to acquire or dispose of a substantial asset from a related party or a substantial holder. Under ASX Listing Rule 19, the definition of 'disposal' includes using an asset as collateral.

Section 208 of Chapter 2E of the Corporations Act requires a company to seek security holder approval before giving a financial benefit to a related party unless an exception applies.

Given J&F is a wholly-owned subsidiary of RFM and RFM is the responsible entity of RFF and hence a related party, the granting of a second ranking security over the assets of J&F for the Guarantee to the sum of A$132 million is considered as a disposal of a substantial asset to a related party. Further, the payment of the Guarantee Fee by J&F to RFF constitutes the provision of a financial benefit to a related party.

Accordingly, the independent directors of RFM ("Independent Directors"), as responsible entity of RFF, have commissioned Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to provide an independent expert's report ("Report") to assess whether the granting of the Security and the terms of the Guarantee are fair and reasonable to the Non-Associated Unitholders for the purposes of Chapter 10 of the ASX Listing Rules and Chapter 2E of the Corporations Act (respectively).

Summary of opinion

Grant Thornton Corporate Finance has concluded that the granting of the Security and the terms of the Guarantee are FAIR AND REASONABLE to the Non-Associated Unitholders.

Fairness Assessment

In forming our opinion in relation to the fairness of the Guarantee, Grant Thornton Corporate Finance has had regard to the position of RFF as it holds the Security. In this regard, should the Financiers call on the Guarantee (in the event of default by J&F), RFF will be required to pay to the Financiers up to A$132 million. RFF will then seek to recoup this money from the sale of the J&F assets.

We have assessed the granting of the Security as **FAIR** to the Non-Associated Unitholders after considering the following:

- If RFF call upon the Security, the disposal of the Secured Assets are required to be dealt with in a manner which attempts to realise market value as at the time of the sale having regard to the state of the assets at that time.
- RFF will only receive a maximum amount equal to the total amount owing under the Guarantee.

In considering the fairness of the terms of the Guarantee, we have compared the terms of the Guarantee to other forms of financing including convertible notes and equity. In considering the other forms of financing, we have had regard to the position held by RFF, given the Guarantee holds a second ranking security over the Secured Assets and is therefore comparable to alternative financing arrangements such as convertible notes or equity.

We have concluded that the terms of the Guarantee are **FAIR** after considering the following:

- Should J&F default, the Financiers will have first access to any sale proceeds from the sale of assets to extinguish its working capital facility loan[8] plus any associated costs. The Financiers would also require RFF to provide the A$132 million under the Guarantee. RFF would then be able to exercise its rights under the Guarantee. Given RFF will need to provide funding to the Financiers on default and await the clearance of the Financiers claims on any sale proceeds, the Guarantee's security position is similar to alternative financing arrangements such as convertible notes or an equity arrangement. Accordingly, we have compared the terms of the Guarantee to similar riskier financing arrangements including the cost of equity.

[8] Assuming J&F is able to increase its Finance Facilities debt limit to A$440 million, the maximum amount that would be owing on the working capital facility is A$308 million.

- The Guarantee Fee rate is within the range of comparable financing alternatives observed for such a facility and comparable to our assessed cost of equity for an operation such as J&F.

Reasonableness Assessment

ASIC RG111 establishes that an offer is reasonable if it is fair. Given that our assessment of the granting of the Security is fair it is also reasonable. Notwithstanding this, we have considered the following advantages, disadvantages and other factors in relation to the Proposed Transaction. We note that in our Reasonableness Assessment, we have only considered the increase to the Finance Facilities and associated corresponding increase to the Guarantee, as well as any changes to the terms of these facilities. We have not considered the existing finance facilities or Guarantee as they are already in place.

Advantages

Increased income to RFF

The Guarantee Fee will be levied upon a potentially higher amount of debt drawn as the Finance Facilities will be expanded from A$333 million to A$380 million with further headroom available to increase it to A$440 million if required (subject to approval by the Financiers and RFF). Accordingly, this will increase RFF's income from the Guarantee Fee, as the fee will be levied on a higher Guarantee. While the increase in Guarantee does not require a transfer of cash, the higher Guarantee will increase the contingent liability on RFF's balance sheet.

Continued involvement of Australia's largest lot feeder and cattle processor

JBS will continue to be the lessee of the Feedlots and operate and manage the feedlots as usual. JBS is Australia's largest lot feeder and cattle processor with lease payments guaranteed by JBS' parent company, Baybrick Pty Ltd ("Baybrick"), which is a wholly-owned subsidiary of JBS S.A., the world's largest beef producer, leather processor, chicken producer and second largest pork and lamb producer (refer to Section 6.1). We note that Baybrick, Baybrick Landco Pty Ltd ("Landco")—a wholly-owned subsidiary of Baybrick—and JBS ("Guarantors") guarantee the obligations of JBS under the agreements, including the lease payments to RFF under the sale and leaseback arrangements for the Feedlots. While the Proposed Transaction will increase RFF's exposure to Baybrick, in CY20 Baybrick had net assets of A$3.5 billion and generated a net profit of A$247.7 million. Accordingly, the financial performance and financial position of Baybrick appears robust.

Increased exposure to growing international demand for beef

The higher Guarantee will allow J&F to increase its borrowings to purchase more cattle for sale to JBS at a time when international demand for beef is growing due to rising incomes in the developing world and Asia. Furthermore, global demand for beef is expected to outstrip global supply in the near term (in particular as African Swine Fever reduces the supply of pork and people switch to beef).

Disadvantages

Increased counterparty risk

The Feedlots are leased to JBS and income from the Guarantee is derived from the Cattle Agreements between J&F and JBS. There is a risk that JBS or its parent company defaults on its financial or operational lease obligations to RFF. Any financial default would reduce RFF's revenue, its ability to meet its debt obligations and pay unitholder distributions. An operational default by JBS may require RFF to meet operating obligations until a new lessee is contracted. Furthermore, new purchasers would need to be identified and agreements entered into for the sale of the cattle from the Feedlots. However, we note that RFF already has a significant exposure to JBS through the existing arrangements and therefore the Proposed Transaction represents only an increased exposure.

In 2017, JBS' owners were convicted of bribery and other similar charges in relation to activities associated with the Brazilian government. It has been reported that JBS' holding company and its founders are required to pay A$5.4 billion in fines over a period of 25 years. The scandals and resulting fines could potentially have an impact on JBS's reputation, business, financial condition and prospects. A default by JBS may require RFF to meet operating obligations until a new lessee is contracted. In the case of default by JBS, the health or quality of the feedlots may be adversely affected. However we note that in the last six months, both Fitch Ratings and Moody's ratings have increased the credit rating of JBS to investment grade on the back of improved corporate governance. In addition JBS S.A.'s recent financial performance has been strong with revenues and EBITDA c. 18% and 34% higher than CY20 respectively. In addition, JBS S.A.'s gearing has reduced to 1.49x EBITDA at 30 September 2021, compared to 1.60x for prior corresponding period and had a net debt to net assets ratio of 1.31 times as at 30 September 2021. Accordingly JBS S.A. is still relatively highly leveraged and its financial performance should be closely monitored from time to time in order to determine its financial strength.

Early termination of Guarantee and/or Finance Facilities and interest rate risk

The Guarantee has a term of 10 years from commencement in August 2018. Under the arrangements between RFF and JBS, JBS has a call option over the Feedlots allowing it to reacquire the Feedlots from RFF between year six and year ten ("Call Option"), upon which point in time RFF may elect to terminate the Guarantee. If JBS exercises the Call Option, the arrangements between JBS, J&F and RFF would cease resulting in a shorter investment timeframe for RFF.

J&F currently funds the operations of the Feedlots (primarily the acquisition of cattle) using the Finance Facilities, which are due to expire in August 2022. While it is likely that the Finance Facilities will be renewed, there is no guarantee that they will be available for the remaining term of the Guarantee. If funding is not available, J&F has the right to terminate the Cattle Agreements. Furthermore, the terms of the Finance Facilities, including the interest charged to J&F could change upon renewal, although the interest rate risk is borne by JBS under the Cattle Agreements with J&F.

Mortalities and insurance costs

All Feedlots are stocked with cattle that are owned by J&F with JBS managing the cattle operations. JBS bears responsibility of mortalities, up to a certain level, and beyond this RFM mitigates the mortality risk through insurance. While RFM intends to maintain insurance over the period of the lease, there may be certain instances and circumstances (such as specific diseases) that may not be covered by the insurance policy. In addition, the cost of insurance may vary over the life of the lease, with any increase/decrease to the cost of the policy resulting in a corresponding decrease/increase in the Guarantee Fee paid to RFF.

Other factors

The implications if the higher Guarantee is not approved

The sale and leaseback of the Feedlots executed in July 2018 include the Call Option held by JBS to buy back the Feedlots, and a put option held by RFF to sell the feedlots to JBS. Both options can be exercised at year 10 for the original purchase price indexed at CPI[9]. However, the sale agreement includes a provision that the Call Option held by JBS can be exercised from year 6, although JBS will incur a break fee of circa A$2 million if exercised before year 10.

If the higher Guarantee is not approved, J&F will not be able to increase its debt facility limit and accordingly J&F will not be able to increase the value of the cattle in the Feedlots to meet JBS' requirements. As such, JBS may look for other funding sources to meet its requirements or potentially, seek to exercise their call option after August 2024, and either look for a replacement for J&F or manage the facility themselves.

Under this scenario, RFF would be forced to sell the Feedlots back to JBS, resulting in a loss of income.

Independent Directors' recommendations and intentions

In the absence of a superior proposal and subject to the Independent Expert's opinion that the higher Guarantee is fair and reasonable, the Independent Directors unanimously recommend that all Non-Associated Unitholders vote for the Guarantee.

Reasonableness conclusion

Based on the qualitative and qualitative factors identified above, it is our opinion that the Guarantee is **REASONABLE** to the Non-Associated Unitholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Guarantee is **FAIR AND REASONABLE** to the Non-Associated Unitholders.

[9] Consumer Price Index.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Guarantee is a matter for each Non-Associated Unitholder to decide based on their own views of the Guarantee, the value of the Feedlots, the value of RFF and expectations about future market conditions, RFF's performance, risk profile and investment strategy. If Non-Associated Unitholders are in doubt about the action they should take in relation to the Guarantee, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

17 December 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by RFM to provide general financial product advice in the form of an independent expert's report in relation to the Guarantee. This Report is included in the Notice of Meeting to the Non-Associated Unitholders of RFF.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is RFF. Grant Thornton Corporate Finance receives its remuneration from RFF. In respect of the Report, Grant Thornton Corporate Finance will receive from RFF a fee of A$40,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary and a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of RFM in order to provide this Report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with RFM (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Guarantee.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Guarantee, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Guarantee. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Background to the Proposed Transaction

1.1 Brief overview of the parties involved

Rural Funds Management Limited

RFM is responsible for managing one listed fund (RFF) and one unlisted fund, with A$1.5 billion in assets under management across NSW, QLD, SA and VIC as at December 2021. RFM is headquartered in Canberra, with offices in Sydney, regional NSW and Queensland.

RFM's largest fund under management, RFF, is an ASX-listed real estate investment trust. RFF owns a A$1.3[10] billion portfolio of diversified agricultural assets including almond and macadamia orchards, vineyards, water entitlements, cattle and cropping assets, all under lease.

RFM is the responsible entity for Rural Funds Trust, which is the party to the Sale and Leaseback of the Feedlots and relevant land contracts.

Baybrick Pty Limited and JBS Australia Pty Ltd

Baybrick is a wholly owned subsidiary of JBS S.A., a company that is listed on the Sao Paolo Stock Exchange. Baybrick is the parent company of 43 subsidiaries, including JBS. The group specialises in meat packing and supplying grain and pasture fed meats to customers in Australia and overseas.

JBS' Australian operations comprise of 10 processing facilities and six feedlots covering over 10,000 hectares across Australia, as well as Australia's largest smallgoods manufacturer Primo Foods and Andrews Meat Industries, a high-value meat cutting and case-ready production facility. The company supplies beef, pork, lamb and mutton and is the country's largest meat and food processing company.

JBS is the entity responsible for the ongoing management of the Feedlots.

Baybrick Landco Pty Ltd ("Landco"), Baybrick and JBS ("Guarantors") are detailed as guaranteeing JBS' obligations under the transaction.

J&F Australia Pty Ltd

J&F, a party associated with JBS, supplies JBS with cattle, feed and associated services used to stock the Feedlots. RFM owns 100% of J&F, the party to the Cattle Agreements with JBS.

J&F has entered into the Finance Facilities used to stock the Feedlots and has entered into the Guarantee with RFF. Following the Proposed Transaction, the Guarantee will increase from A$100 million to A$114 million, with headroom to increase it further to A$132 million.

1.2 Overview of the sale and leaseback agreement

The Feedlots incorporate a Sale and Leaseback Agreement between RFF and JBS, outlined as follows:

- RFF acquired five feedlots from JBS for $52.7 million (inclusive of stamp duty, excluding GST)

[10] Based on the 30 June 2021 Adjusted Total Assets (which includes Water Entitlement Rights) plus A$45.8 million in relation to the acquisition of The Pocket and Baamba Plains cattle and cropping properties, A$63.1 million in relation to the acquisition of the Beerwah and Bauple Macadamia orchards in November / December 2021, A$38.4 million in relation to the acquisition of ground water entitlements in Murrumbidgee (announced post FY21 results on 8 July 2021) and A$17.2 million in relation to a deposit made for the purchase of the Kaiuroo aggregation of properties (announced post FY21 results in November 2021).

- RFF leased the feedlots back to JBS. The Sale and Leaseback arrangement comprises the Contracts of Sale, Warranty Deed, Lease Agreements, Water Rights Call Option Deeds (Prime City and Riverina) and Financial Agreements.
- The following terms apply to the Sale and Leaseback arrangement:
  - Lease term is approximately 10 years from commencement date;
  - Rent is calculated on the CPI and capital expenditure adjusted property capital base with monthly advancements;
  - The capital base is indexed according to CPI annually; and
  - A cash deposit amounting to six months' rent is payable to RFF as security.
- The Warranty Deed outlines vendor warranties pertaining to JBS and Baybrick, including appropriateness of information disclosed to RFM and RFT.
- The Water Rights Call Option Deeds, pertaining to Riverina and Prime City feedlots, whereby JBS granted call options to RFF to acquire the water rights to the respective feedlots, commenced on the same day as the associated lease.
- JBS is responsible for the management of the feedlots (the terms of this are dealt with via the "Cattle Agreements").
- A put and call option will link the Sale and Leaseback with the Cattle Agreements. Should the Cattle Agreements be terminated for any reason, RFF has the right to sell and JBS has the right to buy the Feedlots, and associated rights and licences, back at the CPI and capital expenditure adjusted capital base. JBS may exercise the call option 60 months after commencement of the lease. If the Cattle Agreements are terminated a break fee of $2 million is payable to RFF reducing to zero from year 6 to year 10.

Below is a summary of the five acquired Feedlots:

Feedlot	Location	Facilities	Capacity (head)	Other notes
Beef City	Near Toowoomba, SE Queensland	Processing plant and feedlot	Feedlot - 26,500 Processing[11] – 1,092 per day	~800 hectare feedlot. Specialised grain fed processing facility.
Caroona	Near Quirindi, Liverpool Plains (NSW)	Feedlot	Feedlot - 23,500	~1,390 hectare site - irrigated and dry land farming, supplies feed into on-site storages. Feeder cattle sourced throughout central New South Wales.
Mungindi	Near Mungindi, Western Darling Downs(QLD)	Feedlot	Feedlot - 12,000	~400 hectare feedlot.

[11] The processing plant at Beef City and Riverina Beef are not part of the Feedlots transaction.

Prime City	Near Griffith in the Riverina.	Feedlot	Feedlot - 35,000	~4,000 hectare feedlot and grain processing facility with three steam flaking mills and 24-hour steeping capacity. Supplies all roughage required by the feedlot water supply and large on-site water storage
Riverina Beef	Near Yanco, New South Wales.	Processing plant and feedlot	Feedlot - 53,000 Processing[12] - 600 per day	~2,000 hectare property with cattle sourced throughout SA. The site includes fertile farming land with irrigation roughages

Source: RFM Management

1.3 Cattle Agreements

The following agreements underpin the Sale and Leaseback agreement:

- Cattle Purchase and Sale Agreement ("CPSA"); and
- The Cattle Management Services and Feeding Agreement ("CMSFA").

The above agreements (collectively the "Cattle Agreements") are linked interdependently both to one another and the Sale and Leaseback agreements. The CMSFA ensures that the cattle purchased under the CPSA can be fed and grown until the subsequent cattle sale, and the cattle will be grown on the feedlots leased by JBS under the Sale and Leaseback agreement.

1.4 Cattle Purchase & Sale Agreement

1.4.1 Terms of the agreement

The CPSA details the agency agreement between J&F (following the novation from RFM) and JBS, whereby JBS is proposed to both source and sell cattle on J&F's behalf.

The CPSA is structured as follows:

- The two parties are JBS and J&F (following the novation from RFM).
- JBS acts as agent to purchase cattle on J&F's behalf in order to populate the Feedlots. Once the cattle is ready to be sold on, JBS either purchases the cattle from J&F or arranges for their sale to a third party.
- The cattle in the feedlots is owned by J&F. J&F and its Financiers have registered a Personal Properties Securities Act ("PPSA") interest in all cattle owned by J&F ("J&F Cattle"). This includes J&F Cattle held on the Feedlots and any J&F Cattle on alternative sites agreed between J&F and JBS.
- JBS is responsible for feedlot and cattle management, including refusing to accept cattle deliveries exhibiting symptoms of disease or poor health.
- J&F is entitled to access and inspect the Feedlots, as well as test and observe treatment of cattle.
- Minimum headcount of J&F owned, JBS managed, cattle is to be 100,000 at any given point in time, although JBS is restricted to a maximum purchase of 180,000. JBS is also required to provide a

[12] The processing plant at Beef City and Riverina Beef are not part of the Feedlots transaction.

fortnightly forecast of all proposed purchases in the upcoming two weeks. Exceeding this maximum purchased headcount will not constitute a default, instead J&F and JBS will discuss how to rectify this and mitigate going forward.

- JBS purchases the finished cattle from J&F under an agreed cost plus a margin arrangement.
- A monthly true up adjustment is drawn up to compare actual costs incurred by JBS against an expected return on equity by J&F. Should the return on equity exceed the actual costs, JBS will pay this difference to J&F. Should the actual costs exceed the return on equity, J&F will issue a credit note to JBS.
- J&F is responsible for all mortalities exceeding 5% of cattle, with the exception of devastating causes (such as an epidemic) outside either parties control, in which case J&F will bear the cost of mortalities up to 15% of all cattle.
- The Cattle Purchase and Sale Agreement term is 10 years from commencement.
- The agreement may be terminated by J&F with 120 days' notice in the event of bank facility termination by the Financiers. J&F will be required to pay JBS a penalty of $500,000 (net of GST) in the event that the termination is due to a deterioration in J&F's credit rating or any other reason within J&F's reasonable control.
- Should the CPSA terminate, the CMSFA will terminate simultaneously.

1.5 Cattle Management Services and Feeding Agreement

1.5.1 Terms of the agreement

The CMSFA is between JBS and J&F, whereby JBS will be responsible for managing the cattle.

- The lease term is 10 years unless it is terminated earlier by either party.
- JBS is responsible for all of the responsibilities involved in running the Feedlots and caring for the cattle, including the following:
  - Compliance with all appropriate laws, including environmental and employment;
  - Maintaining feedlot accreditation with the National Feedlot Accreditation Scheme ("NFAS") for all of the Feedlots;
  - Paying any applicable government levies in respect of the Feedlots and J&F Cattle;
  - Retaining detailed cattle records, including tagging cattle with National Livestock Identification System ("NLIS") accredited ear tags;
  - Providing and filing returns in relation to the J&F Cattle on the Feedlots, as required, to any government agency;
  - Discretion of reasonable disposal of non-performing cattle to third parties and report this to J&F.

- J&F will retain title to all cattle in the Feedlots under the CPSA, and is entitled to register this pursuant to the PPSA.

- J&F will have the right to access the feedlots in which J&F Cattle are held to inspect the feedlots and the cattle.

- If J&F terminates the agreement without cause, it will be liable to pay JBS $2 million (GST exclusive) as damages for early termination.

1.5.2 Costs to J&F

J&F will pay JBS on a weekly basis for managing the Feedlots. The charges to be paid by J&F to JBS in relation to growing the cattle under the CMSFA are calculated based on the following:

- Administration and yardage cost per head of cattle at agreed rates; and

- Induction, processing, medicine and feed at cost.

1.6 Side Deed

The Side Deed summarises the interlinked agreements pertaining to the Feedlots and to provide for circumstances that will arise upon termination of the contracts. It details the following agreements between JBS, RFM as responsible entity for RFT, RFM and Baybrick and Landco. The entities JBS, Landco and Baybrick are also referred to as the "Guarantors" and will guarantee the lease obligations of JBS.

The agreements detailed in the Side Deed (collectively referred to as the "Transaction Documents") are:

- Land Contracts for the sale of the Feedlots;

- Leases to be entered into for the leaseback of the Feedlots;

- The Financial Agreement pertaining to the commercial terms of the Leases;

- The Cattle Agreements; and

- The Side Deed.

Key terms of the Side Deed are as follows:

The term is aligned to the Cattle Agreements, and commenced when the Cattle Agreements commenced and terminates on the termination of the Cattle Agreements;

- The Side deed takes precedence over the Transaction Documents;

- If any of the Land Contracts are not completed and/or the Leases are not entered into within 12 months then, unless otherwise agreed between the parties, that particular Land Contract and/or the Lease will not proceed, however, it will have no effect on the remainder of the Transaction Documents. Should the parties be unable to bring the Land Contracts to completion, the relevant owner of the property will retain title and RFM will have no further rights or obligations thereon.

- The termination of the Cattle Agreements will, unless negotiated otherwise between the parties, terminate simultaneously for all of the Leases, any Land Contract not yet completed and no further purchases of cattle are to occur and J&F have the right to sell any cattle not sold within 120 days.
- Should the assets of Baybrick (as guarantor) change materially, JBS must replace this with an entity satisfactory to all parties.
- The Guarantors have irrevocably and unconditionally guaranteed the performance of JBS' obligations to J&F under the Transaction Documents.
- Baybrick has indemnified J&F against any loss or damage incurred by J&F as a result of JBS or Baybrick not performing their obligations under the Transaction Documents.

1.7 Guarantee Agreement

The agreement pertains to the following parties:

- J&F; and
- RFM as trustee and responsible entity for RFT.

J&F has arranged the Finance Facilities with the Financiers:

- A$266 million working capital loan (inclusive of a A$5 million overdraft facility);
- A$114 million cash advance facility.

As part of the security for the Finance Facilities, RFF will provide a Bank Guarantee to the Financiers. In exchange for the Bank Guarantee, RFF will enter into the Guarantee with J&F. The key terms of the Guarantee are as follows:

- A 10 year term (the expectation is that the Finance Facilities will extend throughout the Cattle Agreements' 10 year duration);
- A sliding fee[13] (less adjustments) will be payable to RFF by J&F ("Guarantee Fee") at an agreed rate of between 9.73% and 11.25% ("Guarantee Fee Coupon Rate")[14]. The adjustments deducted from the Guarantee Fee Coupon Rate include insurance costs and J&F interest on the Cash Advance Facility.
- RFF will hold second ranking security over J&F assets behind the Financiers; and
- J&F is required to maintain adequate, comprehensive insurance over the livestock throughout the agreement term. This includes J&F bearing the associated costs of the insurance.

1.8 Effect of the Guarantee

[13] Based on the facility balance
[14] We note the Guarantee Fee Coupon Rate is net of an amount of between 1.05% and 0.91% (depending on the level of the Guarantee) which is paid to RFM.

If the Proposed Transaction is approved, then, subject to Non-Associated Unitholder approval, the Guarantee is expected to be immediately increased to A$114 million in February 2022 with potential to increase up to A$132 million.

2 Purpose and scope of the report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

ASX Listing Rule 10.1 requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX.

Under ASX Listing Rule 19, the definition of 'disposal' includes using an asset as collateral. It is noted that J&F is a wholly-owned subsidiary of RFM which is the responsible entity for RFF, and therefore a related party pursuant to ASX Listing Rule 19. Whilst the Security is second ranking to the Financiers, subject to the Financiers providing consent, RFF may exercise its right in relation to the Guarantee and potentially effect the sale of the Secured Assets.

As a result, the granting of the Security under the Guarantee is considered a disposal of material assets to a related party. Whilst the Security is second ranking to the Financiers, subject to the Financiers providing consent, RFF may exercise its right in relation to the Guarantee and potentially effect the sale of the Secured Assets.

The Guarantee is to provide security for the Cash Advance Facility. The secured amount of up to A$132 million represents 20.4%[15] of the equity interests of RFF. The Guarantee is therefore a "substantial asset" of RFF, given it exceeds 5% of the equity interest in RFF.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated unitholders.

Chapter 2E of the Corporation Act

Section 208 of Chapter 2E of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in section 210 of the Corporations Act.

Regulatory Guide 76 "Related party Transactions" ("RG 76") states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Corporations Act where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity (see RG 76.112).
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

[15] Based on the net assets as at 30 June 2021 of A$648.5 million.

Accordingly, the Independent Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion the Guarantee is fair and reasonable to the Non-Associated Unitholders under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 76 *Related party transactions* ("RG 76"). RG 76 largely refers to RG 111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63.

We note that RG 111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Guarantee, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Unitholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, Unitholders should vote in favour of the transaction.

We have assessed the fairness of the terms of the Guarantee in addition to the granting of the Security as detailed below:

- We have assessed the fairness of the granting of the Security by completing a comparison between the proceeds from the sale of the Secured Assets under the Security which would be provided to RFF and the value of the outstanding liability which would be owing to RFF in the event of a default.
- When assessing the fairness of the Guarantee we have compared the key terms of the Guarantee to alternative financing sources (such as equity and convertible notes) to ensure the terms of the Guarantee are fair to the Non-Associated Unitholders and no net financial benefits are accrued to RFM.

In considering whether the Guarantee is reasonable to the Non-Associated Unitholders, we have considered a number of factors, including:

- Whether the Guarantee is fair.
- The implications to the Non-Associated Unitholders if the Additional Guarantee is not approved.
- Other likely advantages and disadvantages associated with the Additional Guarantee as required by RG 111.
- Other costs and risks associated with the Guarantee that could potentially affect the Non-Associated Unitholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Guarantee with reference to the ASIC Regulatory Guide 112 *Independence of experts* ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the increase to the Guarantee other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Guarantee.

2.4 Consent and other matters

Our Report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around April 2020 in which this Report is included, and is prepared for the exclusive purpose of assisting Non-Associated Unitholders in their consideration of the Guarantee. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and content and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Guarantee to Non-Associated Unitholders as a whole. We have not considered the potential impact of the Guarantee on individual Non-Associated Unitholders. Individual Unitholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Guarantee on individual Unitholders.

The decision of whether or not to approve the Guarantee is a matter for each Non-Associated Unitholder based on their views of the advantages and disadvantages of the Guarantee. If Non-Associated Unitholders are in doubt about the action they should take in relation to the Guarantee, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board. In accordance with APES 225 there are three types of engagements:

- A valuation engagement, which is defined as an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value.
- A limited scope valuation engagement, which is defined as an engagement where the scope of work is limited or restricted. The estimate of value that results is a conclusion of value.
- A calculation engagement, defined as an engagement where the valuer and the engaging party agree on the valuation approaches, methods and procedures that the valuer will employ. The estimate of value that results is a calculated value.

We advise that this assignment is a Valuation Engagement as defined by that standard as follows:

“An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time.”

3 Profile of the Australian feedlot industry

3.1 Introduction

A cattle feedlot is a managed facility providing a grain-fed diet sufficient such that beef is produced to a consistent quality and quantity. Feedlot cattle (or feeders) are purchased from pasture farmers, raised on feedlots and then processed by domestic downstream meat processors and sold to domestic and export markets. According to Australian Lot Feeders Association ("ALFA"), the average period cattle spend in a feedlot is between 50-120 days / 10-15% of their lifespan. Lotfeeders are the final stage of production for approximately one-third of beef cattle slaughtered in Australia. Lotfeeders purchase feeder cattle from grass-fed cattle farms for finishing before cattle are sold to abattoirs.

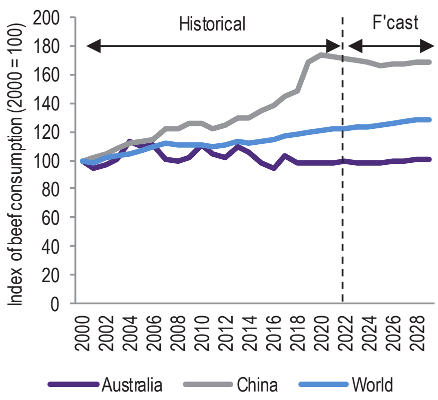
In 2022, the cattle feedlot industry is expected to generate approximately A$5.5 billion in revenues, up from A$5.0 billion in 2017, representing a compound annual growth rate ("CAGR") of approximately 1.0% over the last 5 years[16]. The benefits of finishing cattle in feedlots are that cattle can be grown consistently when grazing land is of poor quality and/or reduced quantity, whilst affording greater control and flexibility in the production and marketing of livestock.

3.2 Market drivers

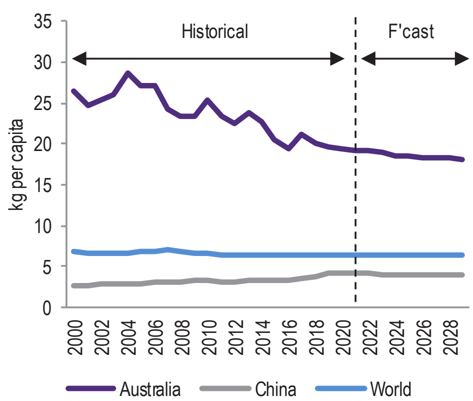
3.2.1 Demand for beef

The demand for Australian grain-fed beef is driven by the overall demand for beef both domestically and abroad. In Australia, approximately two-thirds of beef production is exported, and one-third is consumed domestically. The cattle feedlot sector is an important supplier, accounting for 40% of Australia's total beef supply and 80% of beef sold in major national supermarket chains. The domestic market is the largest market for grain-fed beef, however, domestic beef consumption is reducing due to the perceived health benefits of chicken over beef and the intensification of chicken production since the 1970s which has meant that price inflation for beef has far outstripped chicken. Consumption in developing nations (and China), however, is growing strongly as incomes rise leading to increased consumption per capita (albeit from a low base).

Beef consumption (Index: 2000 = 100)



Beef consumption per capita

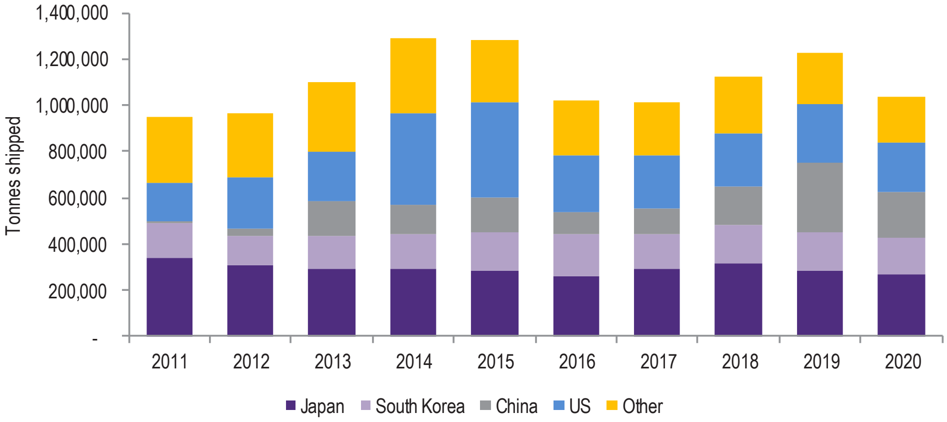


Source: OECD-FAO Agricultural Outlook 2021-2029, GTCF analysis.

[16] IBISWorld – Beef Cattle Feedlots in Australia, September 2021.

Australian beef exports fell in 2016 and 2017 as a result of the national herd rebuild following drought in years prior, and gradually recovered to 2020. However, in 2020 exports fell 15% to 1.04 million tonnes as a result of the prolonged drought that resulted in a slaughter cattle shortage, and the commencement of herd rebuilding following drought-breaking rain. Exports to China fell 35% in 2020 with China sourcing more of its beef from Central and South America at prices below what Australian producers can meet.

Australian beef exports by country of destination



Source: Australian Government Department of Agriculture, Water and the Environment

3.2.2 Weather

The industry can be heavily impacted by unusually wet or dry seasons.

Extremely dry weather reduces pastures, making it more difficult to feed and grow cattle. Demand for feedlots increases as pastures deteriorate under dry conditions because the cattle need to be fed out to sell on (cattle are difficult to sell on in a poor condition).

If the land is too dry for cows to graze on, supply of cattle to feedlots increases. This increased supply means that feeder cattle[17] prices reduce for lotfeeders. However, prolonged periods of very dry weather makes it difficult to breed and raise cattle to the point where grass-fed cattle farmers are unable to sell them to feedlots which can actually increase prices of cattle (as availability reduces) in the long term.

Particularly dry conditions also reduce grain yield, and hence the availability of grain feed. This reduces the supply of grain which pushes prices upwards, not only in terms of the purchase of the feed, but also the associated freight.

In the past, limited grain feed availability in northern Australia has previously cost feedlots A$100 per tonne to transport grain from southern Australia. Given grain is a considerable input cost, inflated grain prices can heavily impact margins.

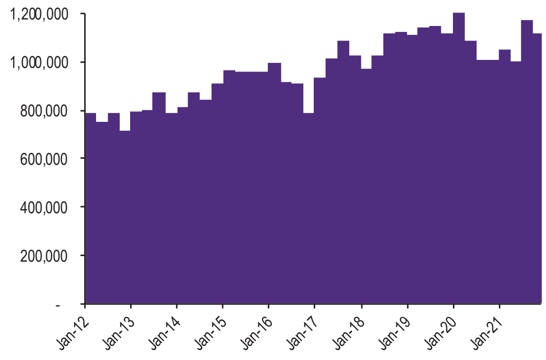
During more favourable weather conditions, irrigated land means crops can be harvested and therefore reverse the grain feed price/supply issue. This weather also improves pasture conditions. Demand for feedlots during these periods reduces as farmers do not need to use feedlots to grow their cattle. As farmers are growing cattle on pastures, the supply of cattle to feedlots reduces, increasing feeder cattle prices.

[17] Feeder cattle are cattle that are mature enough to be placed in a feedlot where they are fattened prior to slaughter.

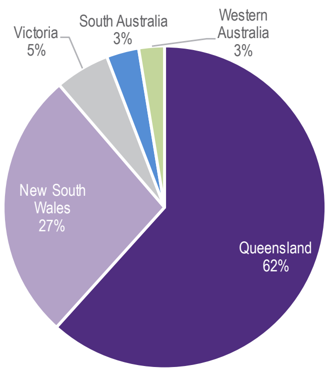
3.2.3 Supply of feeder cattle

The national herd rebuild following the 2017-2019 drought resulted in a reduction of feeder steer in 2020, however this was short-lived as 2021 feeder steer throughput returned to 2018 and 2019 levels, highlighting the consistency of feedlots to secure cattle. As a result the number of cattle in feedlots has remained elevated and was 10% above the 5-year average in the September 2021 quarter. This highlights the industry's important position within beef production to ensure delivery of consistent supply. Across Australia there are ~450 accredited feedlots accommodating circa 1.1 million cattle at present with the capacity to hold up to 1.45 million[18]. The following charts depict the number of cattle in feedlots and the geographical concentration of feedlots.

Number of cattle in feedlots



Geographical diversification of feedlot cattle (September 2021)



Source: ALFA

We note that much of the market's geographical location is dictated by the proximity to cattle and grain supplies to contain costs.

3.2.4 Prices

Over-the-hook ("OTH[19]") cattle prices are currently at record levels driven by limited supply of feeder cattle due to the national herd rebuild. In addition, strong export demand and a weak Australian Dollar have further supported prices. The MLA's national feeder steer indicator and Queensland 100 day grainfed steer over-the-hook indicators are currently trading at c. 600 cents/kg (live weight) and 724 cents/kg (carcase weight) up 45% and 10% on year-ago levels[20], and 68% and 19% above five-year averages. Domestic feed grain prices have been lower recently with ex-Darling Downs wheat prices trading at A$330 per tonne, compared to a five-year average of A$350 per tonne[21] driven by expectations of a strong cropping season due to the wet weather conditions.

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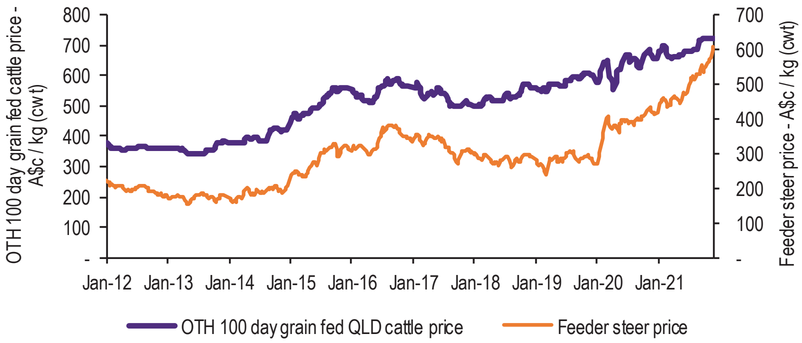
[18] MLA – September 2021 Feedlot Survey.
[19] Over-the-hook refers to the marketing of cattle/sheep/lambs directly from the farm to an abbatoir where a producer is paid for the value of the carcase based on a price grid. The weight of the processed carcase along with the carcase grade is used to determine the price.
[20] MLA – September 2021 Feedlot Survey.
[21] Dairy Australia Grain Report

OTH grain fed cattle prices and feeder steer prices



Source: Meat and Livestock Australia ("MLA").

3.2.5 Outlook

Industry revenue growth is expected to slow to a rate of 0.5% per annum over the next five years, with growth expected due to growing demand from Asia and a relatively low Australian dollar. This will drive affordability of Australian grown beef in foreign markets offset by weak demand in domestic markets due to declining consumption patterns.

Forecasts from the Australian Bureau of Agricultural and Resource Economics ("ABARES") suggest domestic cattle prices are likely to fall over the next few years driven by increasing herd numbers and cattle availability in future years. The national herd is expected to increase from 26.4 million in 2021 to 28.6 million by 2023[22]. This is supported by more a favourable rainfall outlook from the Bureau of Meteorology ("BOM") and recent rains across the country. The BOM is predicting above-average rainfall for all major cattle regions until the end of February 2022 and is forecasting that Australia will experience a mild La Nina weather pattern this summer which corresponds with wetter weather. The increased rainfall in northern Australia should translate to pasture growth strengthening the national herd rebuild in 2022.

Global beef prices are expected to remain low over the coming years and could lead to decreasing saleyard cattle prices in Australia. Higher US and Brazilian exports, and a lower and more competitive Brazilian Real in the short term, could put downward pressure on prices. Over the medium term, the ongoing recovery of the Chinese pig herd is expected to ease global demand for protein, also putting downward pressure on prices. We note that a continuation of trade hostilities between Australia and China could constrain export growth in coming years.

Ongoing consolidation in the sector is anticipated to reduce business numbers. Margins are also expected to drop slightly in the same period, as cost increases (driven by the national flock rebuild) are anticipated to catch up with feedlot cattle sale price growth.

3.2.6 Key players

There has been a declining number of businesses in the industry in recent years as competition from larger players sees smaller family owned feedlots being pushed out of the market or acquired by larger operators, with price being the main competitive driver.

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[22] MLA – Industry projections 2021: Australian Cattle - November update.

Notwithstanding this, the feedlot industry remains highly fragmented and the four key players account for less than 25% of industry revenue and are comprised of:

- JBS Australia Pty Ltd;
- Mort & Co Ltd;
- Teys Australia Pty Ltd; and
- Australian Country Choice Holdings Pty Ltd.

3.2.7 Barriers to entry

Significant initial capital costs in establishing or acquiring a feedlot is the main barrier to entering the feedlot industry. Given there is no alternative use for a feedlot, access to the level of finance required can be difficult.

Ongoing regulation under the National Feedlot Accreditation Scheme is required which is both time consuming and costly, with annual audits undertaken to ensure strict compliance with legislation.

Environmental approvals are also required, as there is typically a high level of waste produced on site due to cattle feeding which can be detrimental to the surrounding area. There are also planning and development approvals to consider in a new feedlot.

4 Profile of RFF

4.1 Introduction

RFF is an ASX-listed real estate investment trust (“REIT”) which owns a portfolio of Australian agricultural assets that are leased to tenants, typically experienced agricultural operators and processors. RFF’s investment objective is to generate a stable income stream from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets, but with no exposure to direct agricultural operating risk.

RFF is a stapled entity, comprising two entities which are isolated for tax purposes:

- *Rural Funds Trust* (“RFT”) – this entity holds the majority of RFF assets, including its investment properties related to its almond, macadamia, vineyard, cropping and cattle operations. The income received from these assets is passive in nature with earnings taxed in the hands of the investor at their marginal tax rate.

- *Rural Funds Active* (“RF Active”) – this entity holds assets which are considered operational in nature from a taxation perspective and are therefore taxed as a public trading trust. RF Active pays tax at the corporate tax rate (i.e. 30%) on the profit it generates from operational activities. RF Active may also, from time to time, make distributions to unitholders of the profit generated from trading activities. These distributions could attract franking credits.

RFF receives lease payments over the life of its lease agreements which typically are for a term of 10 years. RFF also benefits from capital growth through any value appreciation of the underlying agricultural assets it owns. Lease agreements are subject to CPI or fixed lease escalation and are predominantly triple net leases[23]. Other benefits include development capital expenditure attracting higher rent and a market rent review mechanism (usually every 5 years).

4.2 Overview of RFF’s agricultural assets

RFF’s portfolio comprises various agricultural assets (mostly properties) which were valued at circa A$1,132 million as at 30 June 2021 based on the Director’s valuation which adjusts to account for water entitlements (these are reflected as intangible assets in the statutory accounts). These agricultural assets are diversified across 5 sectors including almond and macadamia orchards, vineyards, cattle and cropping assets, and water entitlements. The portfolio value is heavily weighted towards almonds and cattle, accounting for 69.0% of 30 June 2021 total adjusted assets. As of 30 June 2021, RFF owned 66 properties as summarised in the below table.

[23] The lessee pays all real estate taxes, building insurance and maintenance on the property in addition to the normal fees expected.

Agricultural sector	Geographic location	Properties	Size (ha)	FY21 value (A$m)	% of total	FY21F rent (A$m)
Almonds	NSW	3	4,139	382.3	34%	28.6
Cattle	QLD, NSW, VIC, WA	21	672,341	398.5	35%	28.4
Cropping	QLD	23	11,867	117.9	10%	6.4
Vineyards	SA, VIC	7	666	64.9	6%	4.2
Macadamias	QLD	12	5,225	70.9	6%	1.3
Other (i.e. water entitlements)	NSW, QLD	n/a	12,464 ML	66.8	6%	n/a
Other assets	n/a	n/a	n/a	30.8	3%	n/a
Total		**66**	**694,238**	**1,132.1**	**100%**	**68.9**

Source: Independent Property Valuations, RFM FY21 Annual Report

RFF has made a significant investment in the acquisition of macadamia properties consisting of mature orchards, capable of immediately generating income streams, or those identified as development sites for planting. In FY20/21 RFF acquired a further 4,927 ha of land for the above purposes with only 298 ha held in the prior period. The Beerwah and Bauple properties totalling 475 ha, located in Queensland, were acquired during the FY22 period. Macadamia plantings of 1,000 ha are expected to be completed by June 2022.

In November 2020 RFF also acquired 21 sugar cane farms for A$81 million, labelled as the Maryborough property, consisting of 5,258 hectares of sugar cane to be used as cropping properties with ongoing progressive conversion to macadamia orchards. As at 30 June 2021 approximately 3,962 ha of this property remains as a cropping asset and constitutes circa 47% of RFF's total cropping portfolio.

These acquisitions, and developments, are consistent with the Group's strategy of acquiring assets with potential for productivity improvements.

We have also provided further detail on the Company's acquisitions and disposals in the following sections covering the various areas of the Company's asset portfolio.

The below map illustrates RFF's geographical diversification of its portfolio. Assets are located throughout NSW, QLD, SA, VIC and WA although significantly weighted towards QLD. Cattle and macadamias are located in areas with mainly wet summers and dry winters whereas vineyards experience the opposite with wet winters and dry summers.

RFF's Geographical Diversification

Source: RFM's FY21 Annual Report, ASX announcements.
Notes: (1) The number within each circle represents the number of assets owned in that location. (2) Excludes other income (e.g from annual water allocation sales, cropping operations and agistment).

4.3 Almond assets

RFF owns three almond orchard properties and related infrastructure, valued at circa A$382.0 million as at 30 June 2021. RFF's almond assets are located in central west NSW. RFF leases the almond assets to agricultural operators and processors including Select Harvest Limited ("SHV") and Olam Orchards Australia Pty Ltd ("Olam"). Rental income from the RFM Almond Fund ceased on 2 December 2020 when the group completed the sale of the Mooral almond orchard and associated plant and equipment.

The table below summarises the existing almond assets:

Property	Acquired	Location	Size (ha)	Year Planted	Water entitlement (ML)	Valuation A$m	Lease Expiry Date	Lessee
Yilgah	Jun-2008	Hillston, NSW	1,006	2007/08	15 ML/ha	106.6	May-30	SHV
Tocabil	Oct-2014	Hillston, NSW	603	2015/16	12 ML/ha*	48.9	Apr-37	Olam
Kerarbury	Oct-2015	Darlington Point	2,530	2016/17/18	11 ML/ha**	226.5	Apr-38	Olam
Total			**4,139**			**382.0**		

Source: RFF website, other company announcements, independent property valuations
*Note: *entitlement is per annum **entitlements are high security and general security entitlements*

The Yilgah assets were planted more than 10 years ago, but the Tocabil and Kerarbury plantings were more recently established. Below we provide further details of each:

- *Yilgah* – Located 20 km north of Hillston, NSW, is 6,400 ha in size. Yilgah consists of 1,006 ha of almonds orchards planted in 2007 and 2008. The almond plantings, associated infrastructure and water entitlements are leased entirely to Select Harvest under a 20-year lease agreement until May 2030.

- *Tocabil* – Located 30 km north east of Hillston, NSW and is 6,900 ha in size. Tocabil consists of 600 ha of almond orchards planted in 2015 and 2016. Tocabil is supported by 12 ML/ha per annum of water entitlements. The property is leased to Olam until April 2037.

- *Kerarbury* – Refers to two properties, “Kerarbury” and “Kamelda”, located in Darlington Point, NSW, in relative proximity to RFF’s existing almond orchards. Kerarbury has an area of 7,756 ha including 2,350 ha of almond orchards. The properties are leased to Olam until April 2038.

In April 2020 RFM announced that it had commenced a marketing process to sell the Mooral almond orchard. In December 2020 RFM completed the sale for a contracted price of approximately A$98.0 million to an undisclosed party, excluding transaction costs and adjustments. A remaining portion of the land contracted for sale of A$4.1 million was settled in February 2021.

4.4 Cattle assets

RFF owns 21 cattle properties, valued at circa A$398.5 million[24], which are mostly located in QLD. The cattle properties are made up of 16 breeding, backgrounding and finishing properties and 5 cattle feedlots. The cattle feedlots are Prime City, Caroona, Mungindi, Beef City and Riverina Beef.

The below table summarises RFF’s existing cattle assets:

Property	Acquired	Location	Size (ha)	Valuation A$m	Lease Expiry Date	Lessee
Rewan	Aug-2016	Rolleston, QLD	17,479	50.4	Oct-29	AAC
Mutton Hole	Jul-2016	Carpentaria, QLD	140,300	16.7	Mar-25	CJV
Oakland Park	Aug-2016	Croydon, QLD	85,500	8.5	Mar-25	CJV
Natal (3 properties)	Dec-2017	Charters Tower, QLD	390,600	88.5	Oct-27	DA/JF Camm
Comanche	Jul-2018	Rockhampton, QLD	7,600	24.2	Oct-28	Elrose
Cerberus	Sep-2018	Rockhampton, QLD	8,280	14.0	Sep-28	Bryant Beef
Dyamberin	Oct-2018	New England, NSW	1,729	14.0	Oct-28	Stone Axe Past.
Woodburn	Jan-2019	New England, NSW	1,063	7.4	Jan-29	Stone Axe Past.
Cobungra	Mar-2019	East Gippsland, VIC	6,497	40.8	Feb-29	Stone Axe Past.
Petro, High Hill and Willara	Feb-2020	South-west, WA	6,195	22.2	Feb-30	Stone Axe Past.
JBS Caroona, Mungindi, Prime City, Beef City and Riverina	Oct-2018	QLD/NSW	n/a[1]	55.6	Jul-28	JBS Australia
Homehill	Jun-2020	Rockhampton, QLD	4,925	12.9	n/a	n/a
Yarra	May-2020	Rockhampton, WLD	2,173	6.2	n/a	n/a
Total			**672,341**	**361.3**		

Source: RFF website, other company announcements, Director’s property valuations.
Note: (1) Excludes 8,407 ha of cropping area in relation to these properties. (2) Valuation excludes the following financial assets totalling A$37.1 million: Finance Lease – Breeders (A$17.8 million), Cattle Facility – Katena Pty Ltd ATF Schafferius Family Trust (A$0.5 million), Finance Lease – DA & JF Camm Pty Limited (A$10.0 million) and miscellaneous items (A$2.8 million).

The following transactions have been initiated since 2020, either by RFF or RFM.

- *Wattlebank* – In January 2020, the Group acquired Wattlebank, a 321 ha cattle property located in the Fitzroy region of QLD, for A$1.8 million. This property was subsequently sold in May 2021 for a contracted price of approximately A$1.0 million. Water entitlements associated with the property were not sold as part of the transaction.

[24] Independent Property Valuations as of 30 June 2021.

- *Petro, High Hill & Willara* – In February 2020 the Group acquired Petro, High Hill and Willara, three cattle properties totalling 6,195 ha, located in the south-west area of WA for a total of A$22.6 million. These properties will be leased for a period of 10 years to the Stone Axe Pastoral Company.

- *Homehill* – In June 2020 the Group acquired Homehill, a 3270 ha cattle property, located in the Rockhampton area of QLD for A$8.7 million. Subsequently, in December 2020, the Group purchased an additional 1,655 ha of land as part of this property for A$4.3 million. A lessee is currently being sought.

- *Yarra* – In May 2020 the Group acquired Yarra, a 2173 ha cattle property, also located in the Rockhampton area of QLD for A$7.5 million. A lessee is currently being sought.

- *The Pocket and Baamba Plains* – On 8 November 2021 the Group advised that contracts had been exchanged for two cattle and cropping properties including a 1,917 ha property named The Pocket and a 4,130 ha property named Baamba Plains both located in QLD. Included in the acquisitions are 20,733 ML of water entitlements. Settlement of The Pocket for A$13.8 million and Baamba Plains for A$32.0 million occurred in November 2021 and December 2021.

- *Kaiuroo* – On 29 November 2021 the Group advised that contracts had been exchanged for the acquisition of a 27,879 ha cattle and cropping aggregation referred to as Kaiuroo. The aggregation consists of four properties located in central Queensland and situated 5kms west of the Cerberus property, an existing cattle property owned by RFF. An extended settlement period of up to 24 months has been negotiated, with a deposit of A$17.2 million paid in November 2021, allowing RFM to commence productivity developments and seek a lessee prior to settlement.

4.5 Cotton & Cropping assets

RFF owns 2 cotton assets, valued at A$61.9 million. The Lynora Downs property is located at the northern end of the Arcadia Valley in Queensland with the lease held with Cotton JV for five years until April 2022. The Mayneland property is currently operated by RFM until a long-term lessee can be secured.

In November 2020 the Group acquired the Maryborough properties, which consist of 21 cropping farms totalling 3,962 ha, currently used for sugar cane and 8,062 ML of water entitlements. These properties are valued at A$53.9 million. RFM intends to progressively convert the farms to up to 2,500 of macadamia orchards, with a substantial portion of the remaining area to be used for cropping. The first plantings commenced in late FY21.

The below table summarises RFF's existing cotton and cropping assets:

Property	Acquired	Location	Size (ha)	Type	Valuation A$m	Lease Expiry Date	Lessee
Lynora Downs	Dec-2016	Arcadia Valley, QLD	4,963	Cotton and Cropping	41.5	Apr-22	Cotton JV
Mayneland	Sep-2018	Rolleston, QLD	2,942	Cotton and Cropping	20.4	n/a	n/a
Maryborough	Nov-2020	Maryborough, QLD	3,962	Cropping	53.9	n/a[1]	n/a[1]
Total			**11,867**		**115.8**		

Source: RFF website, other company announcements, independent property valuations.
Note: (1) Approximately 47% of sugar cane properties are leased to private operators. RFM will crop established cane on behalf of RFF on remaining properties.

4.6 Vineyard assets

RFF owns 7 vineyards, valued at circa A$64.9 million. The vineyards are located in South Australia within the Barossa Valley, Adelaide Hills and Coonawarra, and one vineyard located in the Grampians, Victoria. The vineyards are all leased to the ASX-listed wine maker Treasury Wine Estates Limited ("TWE"). There are also a number of water entitlements owned by RFF which are included in the lease to TWE.

The below table summarises RFF's vineyard assets:

Property	Acquired	Location	Size (ha)	Main Variety	Valuation A$m	Lease Expiry Date	Lessee
Hahn	Feb-2000	Barossa, SA	50	Shiraz	5.1	Jun-26	TWE
Mundy & Murphy	Apr-2000	Adelaide Hills, SA	55	Cabernet Sauvignon	4.1	Jun-26	TWE
Geier	Sep-2000	Barossa, SA	243	Shiraz	27.7	Jun-26	TWE
Kleinig	May-2002	Barossa, SA	206	Shiraz	23.0	Jun-26	TWE
Rosebank	Aug-2003	Grampians, VIC	83	Shiraz	3.8	Jun-26	TWE
Dohnt	Sep-2004	Coonawarra, SA	30	Cabernet Sauvignon	1.2	Jun-22	TWE
Total			**666**		**64.9**		

Source: RFF website, other company announcements, independent property valuations.

4.7 Macadamia assets

RFF owns 12 macadamia orchards, valued at circa A$64 million. The orchards are located near Bundaberg in Queensland. Swan Ridge and Moore Park are leased to the managed investment scheme, 2007 Macgrove Project with Bonmac leased to RFM.

Since 2019, the Group has acquired, or is converting, a number of properties to increase its portfolio of macadamia assets as follows:

- *Cygnet* – In October 2019 the Group purchased Cygnet, a 37 ha property in Queensland for A$1.6 million. The property is currently unleased and is under development for macadamia plantings.

- *Swan Ridge South* – In March 2020 the Group purchased Sawn Ridge South, a 123 ha property in Bundaberg QLD adjoining the Swan Ridge property, for A$1.6 million. The property is currently unleased and is under development for macadamia plantings.

- *Nursery Farm* – Also in March 2020 the Group purchased a 64 ha property in Bundaberg QLD for A$2.2 million. This property is currently unleased and is under development for macadamia plantings as well as the establishment of a macadamia tree nursery.

- *Maryborough* – In November 2020, as noted in the cotton & cropping assets section above, the Group acquired the Maryborough property for A$87.7 million. At this time the property consisted of 5,328 ha of sugar cane farms but is progressively being converted to up to 2,500 ha of macadamia orchards.

- *Riverton* – Also in November 2020, the Group purchased the Riverton property totalling 1,015 ha located in Fitzroy, QLD for A$6.5 million. This is considered a development site for macadamia orchards.

- *Rookwood Farms* – The Group has purchased a number of properties totalling 2,452 ha located in Fitzroy QLD, to form part of the Rookwood Farms aggregation, which has the potential for development into macadamia orchards. The acquisition of these properties is as follows:
  - Stoneleigh – In December 2020 the Group purchased the Stoneleigh property for A$6.6 million.
  - Corrowah – In February 2021 the Group purchased the Corrowah property for A$1.9 million.
  - Tongola – In March 2021 the Group purchased the Tongola property for A$3.2 million.
- *Beerwah and Bauple* – On 8 November 2021 the Group advised of the proposed acquisition of two macadamia orchards totalling 475 ha located in Queensland for A$63.1 million including shares in Marquis Macadamias Ltd, a processing and marketing company (subject to Marquis Macadamias Ltd board approval). RFM will implement orchard upgrades and operate assets on behalf of RFF until leased. Settlement of this transaction is yet to occur.

The below table summarises RFF's macadamia assets:

Property	Acquired	Location	Size (ha)	Year Planted	Water entitlement (ML)	Valuation A$m	Lease Expiry Date	Lessee
Swan Ridge	Mar-2016	Bundaberg, QLD	130	2007	594 ML	6.7	Jun-28	2007 Macgrove
Moor Park	Mar-2016	Bundaberg, QLD	104	2007		3.9	Jun-28	2007 Macgrove
Bonmac	Mar-2016	Bundaberg, QLD	27	2002	59 ML	2.8	Dec-36	RFM
Cygnet	Oct-2019	QLD	37	n/a	n/a	2.8	n/a	n/a
Swan Ridge South	Mar-2020	Bundaberg, QLD	123	n/a	n/a	1.7	n/a	n/a
Nursery Farm	May-2020	QLD	41	n/a	n/a	5.9	n/a	n/a
Riverton	Nov-2020	QLD	1,015	n/a	n/a	4.9	n/a	n/a
Rookwood Farms	Dec-2020	QLD	2,452	n/a	n/a	10.5	n/a	n/a
Maryborough	Nov-2020	QLD	1,296	n/a	n/a	24.9	n/a	n/a
Total			**5,225**			**64.0**		

Source: RFF website, other company announcements, independent property valuations.
Note: Valuation excludes plant and equipment and straight lining adjustments totalling A$6.9 million.

4.8 Financial information

4.8.1 Financial performance

The following table sets out the historical financial performance of RFF for FY19, FY20 and FY21.

Statement of comprehensive income - RFF A$ '000	FY19 Audited	FY20 Audited	FY2 Audit
Rental income	59,103	55,716	53,0
Finance income	7,205	10,987	13,9
Temporary water sales	2,427	4,308	3,2
Other income	197	204	7
Income from discontinued operations	-	1,502	
Total revenue	**68,932**	**72,717**	**71,1**
Fund management fees	(4,855)	(5,355)	(6,29
Asset management fees	(3,641)	(4,266)	(4,72
Property expenses	(1,595)	(2,038)	(2,82
Cost of goods sold	-	-	(48
Other expenses	(3,892)	(4,938)	(5,60
EBITDA	**54,949**	**56,120**	**51,1**
EBITDA margin	*93.0%*	*100.7%*	*96.4*
Depreciation & Amortisation - bearer plants	(4,600)	(4,838)	(4,03
Depreciation & Amortisation - other	(1,230)	(2,244)	(84
EBIT	**49,119**	**49,038**	**46,2**
EBIT margin	*83.1%*	*88.0%*	*87.2*
Gain on disposal of fixed assets	12	4,032	32,8
Reversal of impairment/(impairment)	8,959	(798)	(5,83
Changes in fair value of bearer plants	-	(499)	1,0
Changes in fair value of biological assets	-	-	1,1
Changes in fair value of investment property	8,352	16,194	42,2
Changes in fair value of financial assets/liabilities	(70)	510	1
Changes in fair value of interest rate swaps	(18,208)	(7,624)	12,9
Finance costs	(9,985)	(10,255)	(10,49
Net profit before income tax	**38,179**	**50,598**	**120,2**
Tax expense	(4,824)	(1,610)	(65
Net profit after income tax	**33,355**	**48,988**	**119,6**
Net profit margin	*56.4%*	*87.9%*	*225.4*

Source: RFF's FY19-FY21 annual reports.

In relation to the financial performance, we note the following:

- Total revenue remained relatively constant for the past three years with decreases in rental incomes largely offset by increases in finance income and temporary water sales. The finance income growth is primarily due to the income earned from the Guarantee Fee.

- RFF pays fund and asset management fees to RFM. From FY19 to FY21 fund management fees

A$4.7 million respectively. These fees have increased with the increase in size of the assets of these funds.

- Property expenses relate to costs directly attributable to the properties such as insurance, rates on unleased properties and applicable cost recovery. These expenses have increased from A$1.6 million in FY19 to A$2.9 million in FY21 resulting from the Groups increase in property acquisitions, properties under development and related insurance costs.

- Other expenses relate to non-property corporate overheads including ASX, bank, audit, registry fees and cost recoveries. Similar to the above, other expenses have increased from A$3.9 million to A$5.6 million due to property acquisition and developments.

- Depreciation of bearer plants mainly relates to depreciation of its plants used in the production of almonds and to a lesser extent of plants used in the production of grapes for wines. The December 2020 sale of the Mooral almond orchard, and associated plant and equipment, has reduced this expense for the FY21 period.

- Related to the above a gain on disposal of A$32.5 million relating to the sale of the Mooral almond orchard was recognised in FY21.

- The increase in impairment expenses from A$0.8 million in FY20 to A$5.8 million in FY21 largely relates to the impairment of water rights attached to the Lynora Downs cropping property of A$4.0 million, based on the 30 June 21 independent valuation.

- Net profit increased significantly from A$38.2 million in FY2019 to A$120.3 million in FY21 primarily due to gains on disposal of fixed assets and changes in fair value of investment property resulting from independent valuations undertaken on a significant portion of RFF assets.

- The changes in fair value of investment property relates to the revaluations of investment property. The below table illustrates that the cattle assets have been positively revalued for c. A$59 million over the last two years as a consequence of obtaining independent valuations for RFF's various properties and assets. The Group has a policy to conduct independent valuations at least every two years with valuers rotated.

Investment property revaluations - Agricultural sector A$ '000	2019	2020	2021	Total
Almond	3,879	2,473	(1,655)	**4,697**
Cattle	1,335	13,626	45,671	**60,632**
Vineyard	12,064	-	(3,641)	**8,423**
Cotton & Cropping	(1,934)	(534)	7,372	**6,838**
Macadamia	-	629	(5,458)	**(4,829)**
Poultry	(6,992)	(1,250)	-	**(8,242)**
Total	**8,352**	**14,944**	**42,289**	**67,519**

Sources: RFF's FY19, FY20 & FY21 annual reports.

- As of 30 June 2021, RFF had active interest rate swaps totalling 53.2% of the drawn down balance to manage interest rate risk. Interest rate swap transactions are entered into by RFF to exchange variable to fixed interest payment obligations to protect long-term borrowings from the risk of increasing interests rates. RFF experienced a significant increase in the fair value of the interest rate swaps in FY21 of A$12.9 million as a result of increasing interest rates.

4.8.2 Financial position

The following table sets out the historical financial position of RFF for FY19, FY20 and FY21.

Statements of financial position - RFF A$ '000	FY19 Audited	FY20 Audited	FY21 Audited
Assets			
Cash and cash equivalents	2,588	5,085	11,647
Trade and other receivables	3,351	4,230	4,214
Current receivables related parties	1,692	1,216	731
Other current assets (i.e. deposits)	1,699	2,688	4,995
Assets held for sale	-	63,358	1,621
Biological assets	-	-	2,988
Income tax receivable	-	-	477
Total current assets	**9,330**	**76,577**	**26,673**
Investment property	489,327	474,838	596,924
Plant and equipment - bearer plants	172,915	153,528	160,782
Financial assets	70,447	100,225	107,177
Intangible assets	118,531	106,551	110,418
Property - owner occupied	-	-	28,284
Plant and equipment - other	8,537	3,201	8,716
Derivative financial assets	-	-	2,930
Total non-current assets	**859,757**	**838,343**	**1,015,231**
Total assets	**869,087**	**914,920**	**1,041,904**
Liabilities			
Trade and other payables	6,101	3,502	3,195
Interest-bearing liabilities	3,832	3,814	2,456
Income tax payable	439	1,533	-
Derivative financial liabilities	103	3,666	3,604
Distributions payable	8,950	9,460	10,022
Total current liabilities	**19,425**	**21,975**	**19,277**
Interest-bearing liabilities	291,445	297,248	344,143
Other non-current liabilities (i.e. lessee deposits)	2,629	3,877	4,421
Derivative financial liabilities	23,938	27,999	18,069
Deferred tax liabilties	5,778	5,855	7,450
Total non-current liabilities	**323,790**	**334,979**	**374,083**
Total liabilities	**343,215**	**356,954**	**393,360**
Net assets attributable to unitholders	**525,872**	**557,966**	**648,544**

Sources: RFF's FY19, FY20 & FY21 annual reports.

In relation to the financial position, we make the following observations:

- As previously noted, in April 2020 the Group commenced a sale process for the Mooral almond orchard with A$63.4 million attributable to this property recorded as an asset held for sale in FY20. The sale was completed in December 2020.

- Biological assets relate to RFF's cropping operations. In November 2020 the Group acquired the Maryborough property consisting of 5,258 ha of sugar cane with biological assets relating to the sugar recorded from the date of acquisition.

- Investment property assets increased by c. A$122.0 million in FY21 due to the acquisitions of cattle, cotton & cropping and macadamia assets, coupled with fair value adjustments relating to the independent valuations obtained. Levels remaining comparatively consistent between FY19 and FY20 (A$14.5 million decrease). In December 2019 the Group completed a sale of its poultry assets for A$71.9 million resulting in a significant reduction for this period. This divestment was offset by significant acquisitions and revaluations in FY20 and FY21 in three areas being cattle assets (FY20 increase of A$56.1 million and FY21 increase of A$55.6 million), cotton and cropping assets (FY21 increase of A$35 million) and macadamia assets (FY21 increase of A$36.0 million). The specific acquisitions relating to these investments have been covered in depth earlier in this report. Refer to the table below for an overview of the development in investment property across the various agricultural sectors.

Investment property - Agricultural sector				
A$ '000	2018	2019	2020	2021
Almond	118,214	136,016	127,519	126,189
Cattle	104,897	193,447	249,534	305,151
Vineyard	25,435	37,651	38,170	34,540
Cotton & Cropping	27,131	46,260	47,896	83,300
Macadamia	4,685	4,857	11,719	47,744
Poultry	77,156	71,096	-	-
Total	**357,518**	**489,327**	**474,838**	**596,924**

Source: RFF's annual reports for FY19-FY21.

- Plant and equipment - bearer plants relates to plants used to grow produce held for long-term rental yields. These plants are initially held at cost at initial measurement and subsequently revalued annually at fair value less any accumulated depreciation and impairment charges. As can be observed from the below table, the majority (c. 78%) of the bearer plants comprise of almond assets, with values remaining consistent over the past two years, based on additions and revaluations, following a c. A$30.0 million reduction for FY20 as the bearer plants relating to the Mooral almond were classified as held for sale following the commencement of the sale process.

- In FY21 RFF acquired a further six properties, being the Riverton, Rookwood Farms and Maryborough (4 properties) increasing its investment in macadamia assets by A$36.0 million. The acquisition of these properties, combined with fair value adjustments, has also resulted in an increase of A$4.4 million in the value of the plant and equipment – bearer plants in relation to macadamia assets for the FY21 period.

Bearer plants - Agricultural sector				
A$ '000	2018	2019	2020	2021
Almond	129,330	145,226	126,805	125,580
Vineyard	20,898	20,721	19,756	23,815
Macadamia	7,011	6,968	6,967	11,387
Total	**157,239**	**172,915**	**153,528**	**160,782**

Source: RFF's annual reports for FY19-FY21.

- Financial assets comprise of the following:
  - A minority investment in Coleambally Irrigation Co-operative Limited ("CICL")[25], finance leases of breeders, feedlots and equipment, and a secured term loan. CICL is one of Australia's major irrigation companies and delivers water near Griffith, close to RFF's almond assets.
  - The breeders have been leased to Cattle JV Pty Limited, a subsidiary of RFM, for a period of 10 years until 2026. Additional breeders were leased to Cattle JV Pty Limited during the FY21 period.
  - The feedlots have been leased to JBS Australia Pty Limited for a period of 10 years until 2028. In June 2020, as part of the JBS transaction, the Group purchased five feedlots from JBS Australia Pty Limited and then leased them back to JBS. These feedlots are classified as a finance lease with a repurchase call option exercisable by JBS and a sale put option exercisable by the Group. The call option held by JBS can be exercised from year six in 2024 but will incur a break fee if exercised before year ten in 2028.
  - The secured term loan to DA & JF Camm Pty Ltd was extended as part of the lease of the Natal aggregation located in Queensland. The loan is until December 2027. In FY20 a A$5 million cattle financing facility with a term of five years was also extended to DA & JF Camm Pty Ltd with a gross balance as at 30 June 2021 of A$6.0 million drawn.
  - Below we provide a summary of the financial assets:

Financial assets				
A$ '000	2018	2019	2020	2021
Investment - CICL	12,222	12,222	11,464	11,464
Finance lease - Breeders	14,179	14,431	14,383	17,778
Finance lease - Feedlots	-	29,034	54,846	55,615
Finance lease - DA & JF Camm Pty Ltd	-	-	1,881	6,004
Finance lease - Equipment	-	-	978	1,066
Term loan - DA & JF Camm Pty Ltd	10,000	10,000	10,000	10,000
Other financial assets	735	4,760	6,870	5,090
Total	**37,136**	**70,447**	**100,422**	**107,017**

Source: RFF's annual reports for FY18-FY21.

- Intangible assets relate to the investments in water entitlement rights. These mainly relate to water entitlements used for the almond assets. In FY20 RFF recognised the sale of the Mooral almond orchard with related water entitlement rights totalling A$10.7 million treated as assets held for sale.

[25] Coleambally Irrigation Co-operative Limited.

RFM generates revenue through the sale of annual water allocations until required for future horticultural development.

Intangible assets A$ '000	2018	2019	2020	2021
Almond	66,633	76,660	66,707	66,707
Cattle	-	1,598	2,947	1,848
Poultry	1,049	1,049	-	-
Vineyard	500	500	500	500
Cropping	3,672	3,672	3,672	4,236
Macadamia	815	815	1,161	4,464
Other	34,257	34,236	31,564	32,663
Total	**106,926**	**118,530**	**106,551**	**110,418**

Source: RFF's annual reports for FY18-FY21.

- As can be observed from the table below, interest bearing liabilities have increased over the years. Gearing is about 30.6%[26] of total assets which still falls within the target range of 30-35%. In FY21, the core debt facility available increased from A$335 million to A$380 million, split in two tranches, with a A$270 million tranche expiring in November 2022 and a A$110 million tranche expiring in November 2023.

Interest-bearing liabilities A$ '000	2018	2019	2020	2021
Equipment loans (ANZ)	3,361	3,832	3,775	2,407
J&F Guarantee - Borrowing loss provision	-	39	30	49
Borrowings (ANZ)	172,672	186,525	190,008	220,252
Borrowings (Rabobank)	97,128	104,920	107,240	123,891
Total	**273,161**	**295,316**	**301,053**	**346,599**

Source: RFF's annual reports for FY18-FY21.

- Derivative financial liabilities relate to interest rate swaps which are measured at fair value. The company also needs to hedge a minimum of 40% of debt drawn under the terms of the borrowing facility. In FY21, RFF increased their hedging to circa 53% of the drawn down balance to manage interest rate risk.

[26] Total interest bearing liabilities of A$347 million divided by adjusted total assets of A$1,132 million.

4.8.3 Cash Flow Statement

The following table sets out the historical cash flow statements of RFF for FY19, FY20 and FY21.

Statements of cash flow - RFF A$ '000	FY19 Audited	FY20 Audited	FY21 Audited
Cash flows from operating activities			
Receipts from customers	66,199	71,021	64,194
Payments to suppliers and employees	(19,144)	(26,723)	(29,318)
Interest received	83	139	126
Finance income	6,853	10,218	13,197
Finance costs	(9,985)	(10,881)	(10,498)
Income tax paid	(277)	(439)	(2,293)
Net cash inflow from operating activities	**43,729**	**43,335**	**35,408**
Cash flows from investing activities			
Payments for investment property	(123,657)	(59,779)	(84,163)
Payments for plant and equipment - bearer plants	(11,697)	(2,997)	(4,457)
Payments for intangible assets	(11,500)	(3,250)	(8,055)
Payments for financial assets	(32,076)	(27,243)	(7,096)
Payments for property - owner occupied	-	-	(29,959)
Payments for plant and equipment	(4,277)	(2,228)	(7,187)
Proceeds from sale of Mooral assets	-	-	97,330
Proceeds from sale of investment property	-	-	960
Proceeds from sale of plant and equipment and other assets	2,372	173	968
Proceeds from sale of intangible assets	-	6,668	-
Proceeds from sale of poultry assets	-	71,913	-
Transaction costs on disposal of poultry assets	-	(596)	-
Distributions received	31	50	64
Net cash outflow from investing activities	**(180,804)**	**(17,289)**	**(41,595)**
Cash flow from financing activities			
Proceeds from issue of units	148,837	6,639	4,920
Proceeds from borrowings	221,646	78,101	185,293
Repayment of borrowings	(199,569)	(72,316)	(139,766)
Distributions paid	(32,461)	(35,973)	(37,698)
Net cash (outflow)/inflow from financing activities	**138,453**	**(23,549)**	**12,749**
Net increase / (decrease) in cash and cash equivalents	**1,378**	**2,497**	**6,562**
Cash and cash equivalents at the beginning of the financial year	1,210	2,588	5,085
Cash and cash equivalents at year end	**2,588**	**5,085**	**11,647**

Source: RFF's annual reports FY19, FY20 & FY21

In relation to the cash flows, we make the following observations:

- Payments for investment properties largely relate to the acquisition of cattle properties (i.e. A$84.5 million in FY19 and A$38.8 million in FY20), cropping & cotton properties (i.e. A$18 million in FY19 and A$22.6 million in FY21) and macadamia properties (i.e. A$36.9 million in FY21).

- Bearer plants increased primarily due to additions to almond assets in FY19, FY20 & FY21 and macadamia assets in FY21.
- Payments for intangible assets relate to the acquisitions of water entitlements rights for almond, cattle, cropping and macadamia asset classes.
- Payments for property – owner occupied of A$30.0 million relates to owner occupied property that is being used to conduct cropping operations by the Group.
- The proceeds from sale of Mooral assets of A$97.3 million relates to the completion of the sale of the Mooral almond orchard in December 2020.
- The large proceeds from borrowings corresponds to the purchase of cattle under the Finance Facilities and the significant increase in property acquisitions over the past two financial years.

4.9 Share capital structure

RFF units are listed on the ASX. RFF is comprised of stapled units in two trusts, RFT and RF Active. As at the date of this Report, RFF had 381,367,182 ordinary units held publicly. Each holder of ordinary units has one vote in person or by proxy, and upon a poll each unit is entitled to one vote.

We have provided in the table below and the 10 largest unitholders, as at 14 December 2021:

10 largest unitholder as at 14 December 2021			
Rank	Name	No. Shares	Interest (%)
1	HSBC Custody Nominees (Australia) Limited	63,634,750	16.7%
2	J P Morgan Nominees Australia Pty Ltd	53,310,034	14.0%
3	Argo Investments Limited	19,170,328	5.0%
4	CITICORP Nominees Pty Ltd	16,557,384	4.3%
5	Netwealth Investments Limited <WRAP SERVICES A/C>	13,757,686	3.6%
6	Rural Funds Management Ltd	11,843,659	3.1%
7	National Nominees Limited	7,593,098	2.0%
8	Bryant Family Services Pty Ltd <BFS SUPERANNUATION FUND A/C>	3,580,012	0.9%
9	One Managed Investment Funds Ltd <CHARTER HALL MAXIM PROPERTY SEC>	3,350,000	0.9%
10	Netwealth Investments Limited <SUPER SERVICES A/C>	2,619,966	0.7%

Sources: RFF management

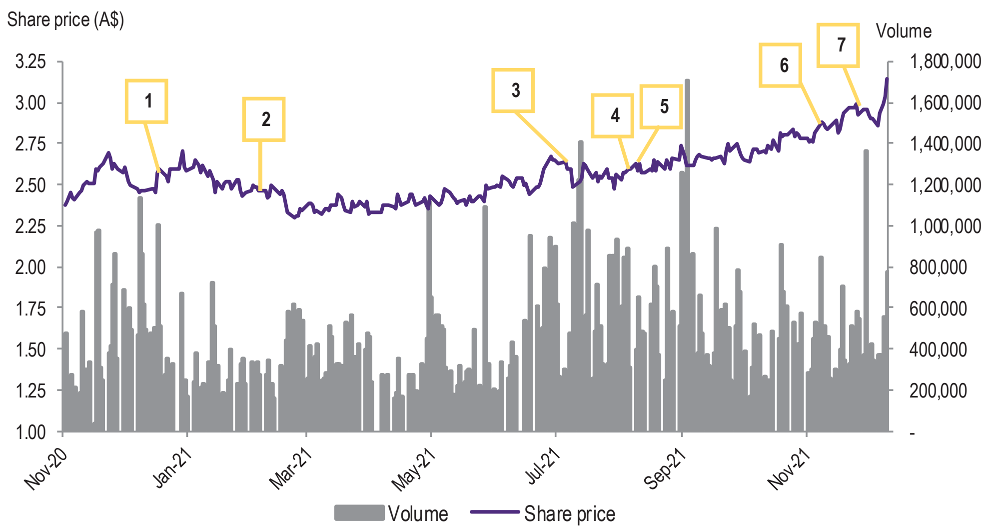
We note that RFM also holds 11,843,659 units in RFF, reflecting a 3.11% interest in RFF. The free float is 98.0%[27]. Management owns c. 1.59% of the ordinary units in RFF.

[27] Shares publicly held (381,367,182) minus shares held in RFF by David Bryant in (3,598,803), Guy Paynter (1,744,710), Michael Carroll (249,650), Andrea Lemmon (183,357), Julian Widdup (132,328), and strategic corporate investors that are not considered in the free float (1,663,075).

4.9.1 Share price analysis

The following is a chart showing the movements in RFF's share price and the volume of shares traded since November 2020.

Historical share price and volume for RFF



Source: S&P Global, GTCF analysis.

The following is a brief description of the key movements in the share price during the past year.

Event	Date	Comments
1	17 December 2020	Advised that contracts have been exchanged with Sunwater limited for the purchase of a 21.600 ML Medium Priority Lower Fitzroy River water allocation for A$32.4 million. Water will be sourced from the Rookwood Weir, which is being constructed 66 kilometres south-west of Rockhampton. The allocations, and 5,963 ML of additional Fitzroy River allocations previously acquired, will be applied to the development of up to 2,500 ha of macadamia orchards, and development of irrigation for cropping and cattle production.
2	18 February 2021	The Company released their 1HFY21 results noting that (1) Earnings per unit increase of 94% to 17.3 cents, (2) adjusted net asset value per unit increase of 4% to $2.01 per unit, (3) adjusted funds from operations of 6.6 cents on track for full-year forecast, (4) Distributions per unit of 5.64 cents on track with full-year forecast and (5) FY21 forecasts confirms and announcement of FY22 forecast DPU of 11.73 cents (in line with 4% growth target).
3	Early July 2021	• 8 July 2021 - RFF entered into trading halt. • 8 July 2021 - RFF announced an A$100 million equity raising to provide capital for the development of 1,000 ha of macadamia orchards, the acquisition of cattle properties to be leased to corporate lessees, and the acquisition of 8,338 ML of water entitlements for A$38.4 million. • 9 July 2021 – RFF announced the successful completion of the institutional component of its equity raising totalling c. A$30 million.
4	17 August 2021	RFF announces the receipt of independent valuations for a number of properties, in preparation for the FY21 financial results, advising of an increase of A$52.6 million from December 2020 adjusted values.
5	25 August 2021	The Company released its FY21 results noting that (1) earnings increase of 98% to 36.6 cents per unit, (2) pro forma adjusted net asset value increase of 13% to $2.20 per unit, (3) adjusted funds from operations of 11.9 cents per unit being in line with forecast, (4) distributions per unit of 11.28 cents being in line with forecast, (5) pro forma gearing of 25% being below the target range of 30-35% and (6) FY22 forecast distributions of 11.73 cents per unit representing a 4% increase on FY21.
6	8 November 2021	RFF announces that contracts have been exchanged for the following acquisitions: • The Pocket, a 1,917 ha cattle and cropping property, and Baamba Plains, a 4,130 ha cropping property, both located in NSW. Included in the acquisitions is 20,733 ML of water entitlements.

Event	Date	Comments
		• Beerwah and Bauple, two macadamia orchards totalling 475 ha, located in QLD. The acquisition amount of up to A$63.1 million includes shares in Marquis Macadamias Ltd (subject to Marquis Macadamias Ltd board approval), a processing and marketing company. The acquisitions are to be funded from an increase in RFF's debt facility and result in revised FY22 forecast adjusted funds from operations of 11.8 cents per unit. FY22 distributions of 11.73 cents per unit remain in line with forecast.
7	29 November 2021	RFF announces that contracts have been exchanged for a 27,879 ha cattle and cropping property aggregation consisting of four properties. The four properties, collectively referred to as 'Kaiuroo', are located in central Queensland, approximately 5 kms west of 'Cerberus', an existing cattle property owned by RFF. Included in the purchase is 12,448 ML of water entitlements. A deposit of A$17.2 million (25% of the purchase price) is to be paid in November 2021 and funded from RFF's debt facility. RFM has negotiated an extended settlement period of up to 24-months, which allows RFM to commence productivity developments and seek a lessee prior to settlement. Forecast FY22 adjusted funds from operations of 11.8 cents per unit and distributions of 11.73 cents per unit remain unchanged.

Source: ASX, GTCF analysis

The monthly share price performance of RFF since November 2020 as well as the weekly share price performance over the last 16 weeks is summarised below:

Rural Funds Group (RFF)	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Nov 2020	2.700	2.360	2.570	2,159
Dec 2020	2.715	2.410	2.580	2,308
Jan 2021	2.650	2.430	2.450	1,376
Feb 2021	2.540	2.260	2.340	1,789
Mar 2021	2.500	2.305	2.320	1,833
Apr 2021	2.450	2.300	2.430	1,377
May 2021	2.500	2.360	2.490	1,723
Jun 2021	2.690	2.440	2.650	2,123
Jul 2021	2.680	2.470	2.560	3,034
Aug 2021	2.740	2.500	2.740	2,994
Sep 2021	2.750	2.575	2.660	2,817
Oct 2021	2.890	2.610	2.780	2,101
Nov 2021	3.035	2.730	2.960	2,358
Week ended				
20 Aug 2021	2.650	2.550	2.640	2,796
27 Aug 2021	2.670	2.570	2.660	2,754
3 Sep 2021	2.740	2.590	2.620	4,669
10 Sep 2021	2.700	2.575	2.670	2,717
17 Sep 2021	2.680	2.620	2.660	2,324
24 Sep 2021	2.750	2.630	2.710	2,156
1 Oct 2021	2.750	2.640	2.650	2,688
8 Oct 2021	2.730	2.610	2.690	1,803
15 Oct 2021	2.770	2.660	2.770	1,357
22 Oct 2021	2.890	2.710	2.800	2,939
29 Oct 2021	2.840	2.770	2.780	2,334
5 Nov 2021	2.830	2.730	2.820	1,788
12 Nov 2021	2.920	2.810	2.850	2,368
19 Nov 2021	2.940	2.810	2.940	2,012
26 Nov 2021	3.025	2.920	2.930	2,466
3 Dec 2021	3.035	2.890	2.900	2,900

Sources: S&P Global, GTCF analysis

5 Profile of RFM

5.1 Introduction

Established in 1997, RFM is one of the oldest agricultural fund managers in Australia. RFM is responsible for strategic direction, day-to-day management of its funds, asset acquisitions and sales, investment structure and portfolio composition. The company is headquartered in Canberra and has three regional offices in Sydney, regional New South Wales and Queensland. We note that RFM is currently fully-owned by its directors and staff. Key management personnel comprise the following people:

Key Management Personnel - RFM			
Name	Role	Name	Role
David Bryant	Managing Director	Andrea Lemmon	Non-Executive Director
Guy Paynter	Director, Non-Executive Chairman	Tim Sheridan	Chief Operating Officer
Michael Carroll	Non-Executive Director	Daniel Yap	Chief Financial Officer
Julian Widdup	Non-Executive Director	Emma Spear	Company Secretary

Source: Management

RFM is the responsible entity for two funds, one listed and one unlisted. Below we provide an overview of its current investment funds.

Listed investment fund:

- *Rural Funds Group (RFF)* – the largest of the two remaining funds, is an ASX-listed REIT, with an A$1.3 billion diversified agricultural asset portfolio. Refer to Section 4 for detailed information.

Unlisted investment fund:

- *2007 Macgrove Project* – is a managed investment scheme. The aim is to provide macadamia growers with the opportunity to participate in a macadamia growing business near Bundaberg, QLD. RFM is a grower in this particular instance and operates two orchards Swan Ridge and Moore Park (234 ha).

RFM also undertakes various agricultural activities including almond farming, macadamia farming, livestock and cropping operations on leased properties via the following entities:

- RFM Farming Pty Limited – A wholly owned subsidiary of RFM. Mayneland, a 2,942 cotton property located in central QLD, is leased to this entity until 30 June 2022. A long-term lessee is being sought. The Comanche cattle property is currently part leased to CJV via a licence agreement with Elrose Enterprises Pty Ltd.

- RFM Macadamias Pty Limited – A wholly-owned subsidiary of RFM. RFM conducts the growing and harvest of macadamias on the Bonmac property in Bundaberg in QLD. RFM also owns an interest in 79 macadamia groves as part of the 2007 Macgrove Project, which comprise an area of 32 hectares. RFM also has c. 5,000 hectares of macadamia orchards under development in Queensland which are not currently leased. The Company expects these to be planted over the next five years.

- Cattle JV Pty Limited – A wholly owned subsidiary of RFM leasing Mutton Hole and Oakland Park. This entity was previously the lessee of Rewan. In July 2019, the lease was transferred to the Australian Agricultural Company which entered into a 10-year lease with RFF.

- Cotton JV Pty Limited – A joint venture between RFM and Queensland Cotton Corporation Pty Limited (a subsidiary of Olam International Limited). Lynora Downs, a 4,963 hectare cotton property located near Emerald in QLD, is leased to this entity until April 2022.

- J&F Australia Pty Limited.

5.2 Financial information

5.2.1 Financial performance

The following table sets out the historical financial performance of RFM for FY20 and FY21.

Statement of comprehensive income - RFM	FY20	FY21
A$ '000	Audited	Audited
Management fees	10,401	11,390
Rendering of services	12,562	8,614
Sale of agricultural produce	8,100	9,100
Sale of livestock	13,623	2,787
Cattle finance income	13,011	13,781
Finance income and other income	2,082	1,739
Total revenue	**59,779**	**47,411**
Cost of agricultural produce sold	(7,957)	(9,033)
Direct agriculture expenses	(9,088)	(5,623)
Cost of livestock sold	(18,468)	(2,772)
Gross profit	**24,266**	**29,983**
Gross margin %	*40.6%*	*63.2%*
Repairs and maintenance expense	(1,449)	(1,083)
Employee benefits expense	(11,493)	(11,139)
Rental and property expenses	(3,110)	(1,163)
Other expenses	(3,069)	(2,514)
EBITDA	**5,145**	**14,084**
EBITDA margin %	*8.6%*	*29.7%*
Depreciation & Amortisation	(4,403)	(4,160)
EBIT	**742**	**9,924**
EBIT margin %	*1.2%*	*20.9%*
Share of net profit - equity accounted investments	152	454
Gain / (Loss) on sale of assets	(154)	5
Changes in fair value of biological assets	16,421	12,865
Changes in fair value of financial assets	(4,499)	8,480
Finance costs	(14,604)	(15,108)
Net profit before income tax	**(1,942)**	**16,620**
Tax expense	(678)	(4,483)
Net profit after income tax	**(2,620)**	**12,137**
Net profit margin %	*(4.4%)*	*25.6%*

Source: RFM FY21 annual report

In relation to the financial performance, we note the following:

- RFM receives fund or asset management fees[28] from the entities it manages in return for managing their investments, overseeing operations and promoting the fund to investors. These

[28] Approximately 1% per annum based on average adjusted total asset value in the fund.

fees are levied as a percentage of gross assets under management, net value of the funds or operating costs.

- RFM is also reimbursed for costs incurred by RFM on behalf of its funds. It receives income from its managed entities for rendering of services, which include corporate services and farm management services under the terms of the service agreement.

- RFM records all income (and associated costs) from the sale of agricultural produce (i.e. cotton, macadamias and almonds) and livestock.

- In FY20, RFM generated A$13.6 million revenues from the sale of livestock but incurred A$18.5 million in costs for livestock sold. The c. A$4.9 million difference relates to a realised loss on sale of cattle during the year due to the drought conditions experienced during the period.

- RFM receives cattle finance income from its wholly-owned subsidiary J&F, which contributed approximately A$13.8 million of income in FY21.

- Direct agricultural expenses reduced from A$9.1 million in FY20 to A$5.6 million in FY21 due to costs associated with the RFM Almond Fund no longer being paid by RFM due to the sale of the Mooral property in FY21.

- Biological assets, which mainly comprise of livestock, are recorded at fair value (less costs to sell). The changes in fair value of biological assets therefore mainly relate to the revaluations of the livestock assets over time. The revaluation in FY21 of A$12.9 million included A$8.2 million related to livestock as a result of the weight gain of backgrounding cattle and price increase for both backgrounding and breeder cattle during FY21

- The change in fair value of financial assets relates to RFM's interest in RFF. RFM holds units in RFF which are recognised at fair value. Any changes in fair value are recognised as a change in fair value of financial assets. The increase is due to the increase in the RFF share price from FY20 to FY21.

- Finance costs are incurred on the bank debt facilities which amounted to c. A$360 million as at 30 June 2021. The finance costs also increased with a financial guarantee fee of A$7.1 million (FY20: A$5.6 million) paid to RFF in return for providing a limited guarantee in relation with the finance lease arrangement with JBS Australia Pty Limited.

5.2.2 Financial position

The following table sets out the historical financial position of RFM for FY20 and FY21.

Statements of financial position - RFM	FY20	FY21
A$ '000	Audited	Audited
Assets		
Cash and cash equivalents	9,805	5,215
Trade and other receivables	34,475	42,356
Inventories	764	1,152
Biological assets	29,945	36,176
Cattle under finance	189,253	324,163
Other assets (i.e. deposits)	724	704
Financial assets (i.e. loan to related parties)	754	1,752
Total current assets	**265,720**	**411,518**
Financial assets	22,742	31,220
Plant and equipment	1,938	2,658
Right-of-use assets - leases	20,565	14,049
Investments accounted for using the equity method	1,993	256
Intangible assets	253	221
Goodwill	429	429
Deferred tax assets	427	279
Total non-current assets	**48,347**	**49,112**
Total assets	**314,067**	**460,630**
Liabilities		
Trade and other payables	32,782	40,744
Interest-bearing liabilities	213,287	341,431
Provisions related to employee benefits	2,890	2,646
Income tax payable	290	326
Lease liabilities	3,119	3,430
Total current liabilities	**252,368**	**388,577**
Interest-bearing liabilities	14,434	18,663
Provisions related to employee benefits	298	161
Deferred tax liabilties	1,742	4,076
Lease liabilities	18,039	**11,330**
Total non-current liabilities	**34,513**	**34,230**
Total liabilities	**286,881**	**422,807**
Net assets	**27,186**	**37,823**

Source: RFM's annual reports.

In relation to the financial position, we make the following observations:

- Trade and other receivables mainly relate to amounts owed from JBS in relation to the cattle sold to JBS. As at the date of the accounts, no receivables were overdue.
- Biological assets are largely related to livestock and have increased due to additions as well as increases in biological transformation.

- Cattle under finance represents the cattle owned by J&F in the Feedlots. The associated debt in relation to the Finance Facilities is also recorded on the balance sheet.

- Financial assets mainly comprise of units in Rural Funds Group.

- The current portion of financial assets as at 30 June 2021 relates to loans provided to shareholders and related parties of A$0.75 million, and a fix-term deposit with a bank of A$1.0 million for a term of more than 3 months. The non-current portion primarily relates RFM's A$31.2 million investment in RFF.

- Intangible assets consist of the right to harvest macadamias with these assets being amortised over their remaining useful life.

- Interest-bearing liabilities have increased materially as a result of the increase to the Finance Facilities limit from A$250 million to A$333 million in FY20. The Finance Facilities are used to supply cattle, feed and associated costs to JBS. This bank facility is backed by the RFF limited guarantee of A$100 million and the cattle acquired. The core debt facility expires in August 2022[29]. In addition to bank debt, interest bearing liabilities include a finance lease of A$17.5 million in relation to breeder cattle held by Cattle JV which have been leased from RF Active for a period of 10 years ending in 2026. This relates to breeder cattle that are held on two properties located near the Gulf of Carpentaria and are financed through a finance lease arrangement with RF Active. As part of the arrangement, RFM is required to maintain the breeder herd and maintain an active breeding program.

  Below we provide an overview of the interest-bearing liabilities outstanding.

Interest-bearing liabilities	30 June 2020	30 June 2021
Current borrowings (ANZ)	136,693	216,678
Current borrowings (Rabobank)	72,167	119,880
Current borrowings - other	4,427	4,873
Non-current finance lease - breeders (RF Active)	14,092	17,536
Non-current borowings - other	342	1,127
Total	**227,721**	**360,094**

Source: RFM FY20 and FY21 audited financial statements.

- Deferred tax liabilities primarily relate to deferred tax liabilities on investments and biological assets set-off by any deferred tax assets. The group has deferred tax assets of A$4.1 million.

29 Notwithstanding the expiry date of the facility being beyond 12 months from balance date, the debt is classified as current due to the term of settlement for the draw-down being within one year.

5.2.3 Cash Flow Statement

The following table sets out the historical cash flow statements of RFM for FY20 and FY21.

Statements of cash flow - RFM	FY20	FY21
A$ '000	Audited	Audited
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	52,659	34,435
Net receipts from cattle under finance (inclusive of GST)	55,078	(122,564)
Payments to suppliers and employees (inclusive of GST)	(37,749)	(28,217)
Interest received	73	5
Finance costs	(3,036)	(3,048)
Finance cost - cattle under finance	(11,568)	(12,060)
Distributions received	1,429	1,521
Income tax paid	(2,500)	(1,965)
Net cash inflow from operating activities	**54,386**	**(131,893)**
Cash flows from investing activities		
Payments for investments	-	(1,000)
Payments for biological assets (breeders)	(198)	(60)
Payments for plant and equipment	(356)	(1,140)
Proceeds from sale of plant and equipment	40	18
Proceeds from sale of investments	171	-
Loans to related parties	(754)	(752)
Repayments from related parties	2,182	754
Receipts from equity accouned investments	140	2,191
Net cash outflow from investing activities	**1,225**	**11**
Cash flow from financing activities		
Proceeds from borrowings	3,010	136,545
Repayment of borrowings	(49,098)	(4,690)
Repayment of lease liabilities	(3,623)	(3,329)
Payment for shares bought back	(250)	(500)
Dividends paid	-	(1,252)
Net cash (outflow)/inflow from financing activities	**(49,961)**	**126,774**
Net increase / (decrease) in cash and cash equivalents	**5,650**	**(5,108)**
Cash and cash equivalents at the beginning of the financial year	4,155	9,805
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at year end	**9,805**	**4,697**

Source: RFM FY18 and FY19 audited financial statements.

In relation to the cash flows, we make the following observations:

- Finance costs relate to the interest expense associated with the cattle held under finance under the Finance Facilities as well as lease expenses.
- Net receipts from cattle under finance was was negative A$122.6 million in FY21. The large negative amount is due to a substantial increase in cattle purchased during FY21 which resulted in the net receipts being negative. This was fully funded by the borrowing facilities in J&F.

- In FY20 no dividend was declared due to a deferral of the shareholder loan made to shareholders in FY19 to FY20.

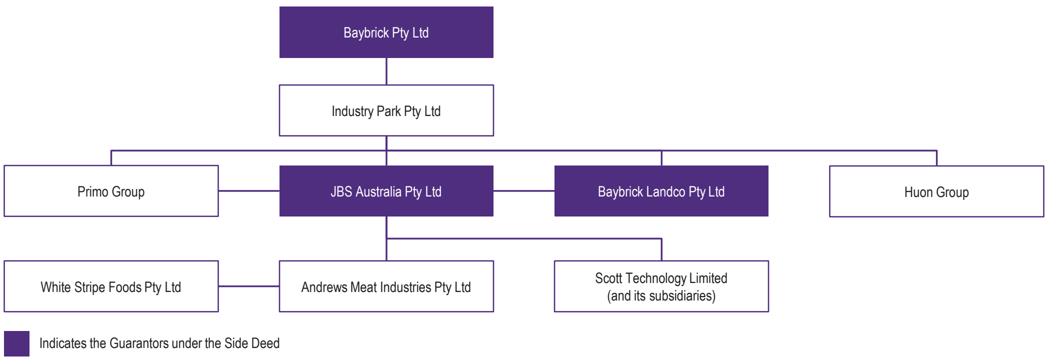
6 Profile of JBS

6.1 Introduction

JBS is the largest meat processing company in Australia and a division of JBS S.A., the largest animal protein processing company in the world. In Australia, JBS operates ten processing facilities and six feedlots covering over 10,000 hectares with a daily processing capacity of more than 8,000 cattle and 21,000 small stock. JBS' Australian operations also comprise Australia's largest smallgoods manufacturer Primo Foods and Andrews Meat Industries, a high-value meat cutting and case-ready production facility. In addition to supplying the domestic market, JBS also exports to over 80 countries and employs over 12,000 people around the country.

Below we provide an overview of JBS' organisation structure.

Organisation structure JBS



Source: Management

On 12 July 2018, RFM, as responsible entity of RFF, announced the acquisition of JBS Australia's five feedlots which was secured by a 10-year triple net lease through which JBS provides lease payments to RFF.

In 2017, the indirect parent company of Baybrick, J&F Investimentos S.A, entered into a plea bargain in connection with improper payments made to Brazilian politicians, government officials and other individuals. It was reported in the media that J&F Investimentos S.A has agreed to pay approximately A$5.4 billion in fines in relation to its role in corruption scandals. The payments, which can be made over a period of 25 years, will be made exclusively by the holding company J&F Investimentos S.A. The scandals and resulting fines could potentially have an impact on the JBS group's reputation, business, financial condition, results of operations and prospects.

However we note that in the last six months, both Fitch Ratings and Moody's ratings have increased the credit rating of JBS to investment grade on the back of improved corporate governance. In addition JBS S.A.'s recent financial performance has been strong. In the last twelve months period ending 30 September 2021, JBS S.A. has generated Revenues of US$61.7 billion and EBITDA of US$7.5 billion, c. 18% and 34% higher than CY20 respectively. In addition, JBS S.A.'s gearing has reduced to 1.49x EBITDA at 30 September 2021, compared to 1.60x for prior corresponding period and had a net debt to net assets ratio of 1.31 times as at 30 September 2021. Accordingly JBS S.A. is still relatively highly leveraged and its financial performance should be closely monitored from time to time in order to determine its financial strength.

6.2 Financial information

The lease obligations to be paid by JBS to RFF will be guaranteed by the Guarantors[30].

We have been provided with the financial statements of Baybrick Pty Ltd which guarantees JBS' obligations.

We note that Baybrick does not prepare consolidated financial statements in accordance with AASB10. This is due to a group restructure in FY18 under which Baybrick no longer holds property plan and equipment with its nature changing largely to that of a holding entity, and is no longer involved directly in the operations of the wider JBS group. Accordingly, due to the restructure and given the entity is no longe a reporting entity, AASB10 has not been applied to the following financial statements. As a result, in the income statement presented below, the company is breaking-even at an EBITDA level but the balance sheet records the investments in the subsidiaries.

6.2.1 Financial performance

Set out below is Baybrick's statement of profit or loss for CY19 and CY20.

Statement of comprehensive income A$ '000	CY19 Audited	CY20 Audited
Dividends	-	250,000
Management Services Fee	1,166	1,166
Employee benefits expense	(1,134)	(1,137)
EBITDA	**32**	**250,029**
EBITDA margin	*2.7%*	*99.5%*
Depreciation and amortisation	-	-
EBIT	**32**	**250,029**
EBIT margin	*2.7%*	*21,443.3%*
Finance costs	(2,189)	(2,329)
Net profit before income tax	**(2,157)**	**247,700**
Income tax expense	(9)	(9)
Net profit after income tax	**(2,166)**	**247,691**

Source: Baybrick's accounts

We make the following observations in relation to the income statement:

- In CY20 Baybrick received dividends of A$250 million from its investments in JBS Australia and Industry Park Pty Ltd.
- Finance costs relate to borrowings from related parties of A$38.7 million as at 27 December 2020.

6.2.2 Financial position

Set out below is a consolidated statement of financial position of Baybrick for CY19 and CY20.

Statements of financial position	CY19	CY20
A$ '000	Audited	Audited
Assets		
Receivables from related parties	33,640	17,346
Total current assets	33,640	17,346
Financial assets	-	16,349
Investment in subsidiaries	3,514,025	3,514,025
Deferred tax assets	98	112
Total non-current assets	3,514,123	3,530,486
Total assets	**3,547,763**	**3,547,832**
Liabilities		
Employee benefit liabilities	325	373
Total current liabilities	325	373
Borrowings from related parties	36,397	38,727
Total non-current liabilities	36,397	38,727
Total liabilities	**36,722**	**39,100**
Net assets	**3,511,041**	**3,508,732**

Source: Baybrick's CY19 and CY20 accounts

As at 31 December 2018, we make the following observations in relation to the balance sheet:

- Baybrick's net asset position was c. A$3.5 billion in CY19 and CY20 due to investments in subsidiaries of c. A$3.5 billion. We note that Baybrick is accounting for its investments in its subsidiaries on an equity basis, and hence the profits of subsidiaries is recognised in the "investment in subsidiaries" line item.

7 Valuation methodologies

7.1 Introduction

In accordance with our adopted valuation approach set out in section 2.2, our fairness assessment involves comparing:

- The potential proceeds from the sale of the assets under the Security which would be provided to RFF and the value of the outstanding liability which would be owing to RFF in the event of a default under the Guarantee.
- The terms of the Guarantee.

Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this Report. Each of these methodologies is appropriate in certain circumstances. RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Selected valuation method

RG 111 suggests that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

The Guarantee will have a second ranking security over the Secured Assets. In other words, the Financiers will have first rights to the Secured Assets and RFF will first need to provide up to A$132 million to the Financiers before being able to exercise any of their rights pertaining to the Security such as sale of the Secured Assets and accepting payment to recoup the funds provided to the Financiers.

In this case, the proceeds from the sale of the Secured Assets constitute the financial benefit to be provided to RFF. The consideration being provided by RFF to J&F is the value of the Guarantee plus any accrued interests and fees at the time of sale in the event of drawdown.

Having regard to the above, we have assessed the fairness of the granting of the Security by comparing the proceeds from the sale of the Secured Assets to the value of the liability which would be owing to RFF in the event of default.

The granting of the Security is 'fair' if the value of the Security provided to RFF (i.e. the value of the proceeds from the sale of the Secured Assets) is equal to or less than the value of the liabilities to be settled in the event of drawdown under the Guarantee.

7.4 Guarantee

If the Guarantee is approved, J&F will be able to increase their debt facility limit from A$333 million up to a maximum of A$440 million[31] supported by the higher Guarantee provided by RFF and subject to approval by the RFF and the Financiers. RFF has the ability to increase the Guarantee from A$100 million up to A$132 million and in exchange adjust the existing Guarantee agreement with J&F and therefore will receive a higher Guarantee Fee.

Should J&F default, the Financiers will have first access to any sale proceeds from the sale of assets to extinguish the loan plus any associated costs. The Financiers would also require RFF to provide the Guarantee. RFF would then be able to exercise its rights under the Guarantee. Given RFF will need to provide funding to the Financiers on default and await the clearance of the Financiers claims on any sale proceeds, the Guarantee's security position is similar to alternative financing arrangements (such as convertible notes or equity).

Accordingly, we have compared the terms of the Guarantee to similar riskier financing arrangements including the cost of equity. To assess whether the Guarantee Fee is fair we have compared the Guarantee Fee Rate to a range of alternative financing options:

- Convertible note issues; and
- Unitholder or equity financing.

[31] The debt facility limited might potentially be increased beyond A$380 million to A$440 million if necessary.

If the key terms of the Guarantee are equal or greater than the terms provided by other financing options, the Guarantee is ‘fair’.

8 Fairness of the higher security

If the Guarantee is approved, the Financiers will increase the Cash Advance Facility loan of A$100 million to A$114 million (with potential to increase it up to A$132 million subject to approval by RFF and the Financiers), secured by the assets of J&F and in addition RFF will provide a limited Guarantee to the Financiers. RFF will execute the Guarantee Deed of Amendment and enter into the Guarantee with J&F and continue to obtain a second-ranking security over the assets of J&F ("Secured Assets").

We note that the Financiers will be able to call upon the Guarantee only if J&F defaults. For J&F to default, given its primary source of income is from payments from JBS, the most likely cause of the default would be as a result of JBS defaulting. The Guarantors will continue to provide a guarantee under the Side Deed for the performance of JBS. Baybrick Pty Ltd reported net assets of A$3.5 billion as at 31 December 2020 and generated a net profit of A$247.7 million. However, despite the above, should the Financiers call upon the Guarantee, RFF will be required to provide the Guarantee to the Financiers and then exercise their rights pertaining to the Secured Assets to recoup the amount of the Guarantee paid to Financiers.

J&F's main asset is the cattle, which typically gain weight whilst in the feedlot and are sold on a per kg basis. As such, it would require an adverse movement in the cattle price from time of purchase to sale for a shortfall to be realised, should RFF be required to sell the Secured Assets. Accordingly, in analysing whether or not the granting of the higher Security to the Financiers (with RFF standing in the position of the Financiers upon the calling upon of the Guarantee) is fair to the Non-Associated Unitholders, we have considered the following:

- If RFF calls upon the Security, the disposal of the Secured Assets is required to be dealt with in a manner which attempts to realise market value as at the time of the sale having regard to the state of the assets at that time. RFF will receive the following amounts under the following three alternative scenarios:
  - If the realised market value of the Secured Assets is **less than** the total amount owing to RFF under the Guarantee, then RFF will receive the realised market value of the Secured Assets.
  - If the realised market value of the Secured Assets is **the same as** the total amount owing to RFF under the Guarantee, then RFF will receive the realised market value of the Secured Assets.
  - If the realised market value of the Secured Assets is **more than** the total amount owing to RFF under the Guarantee, then RFF will only receive the amount it is owed.

8.1 Conclusion – granting of Security

Based on the above considerations, we have assessed the value of the Security provided to be less than or equal to the value of the liabilities settled.

9 Fairness of the Guarantee terms

As discussed in section 7.3, we have assessed the fairness of the Guarantee having regard to other forms of financing.

As explained previously, the Guarantee Fee is on a sliding scale [32] (less adjustments) payable to RFF by J&F at an agreed rate of between 9.73% and 11.25%. The adjustments deducted from the Guarantee Fee include insurance costs and J&F interest on the Cash Advance Facility.

9.1 Guarantee Fee

In order to test whether the Guarantee Fee RFF will receive under the Guarantee Agreement is on a commercial, arms' length basis and fair to Non-Associated Unitholders, Grant Thornton Corporate Finance has observed and benchmarked the cost of alternative financing sources as illustrated below:

We have examined unsecured convertible note issues of ASX-listed companies over the past five years. We observe interest rates to vary between 2.5% and 15.0% with an average of 9.3%. The average interest rate of the convertible note issues in the past two years was similar (c. 8.6%).

In relation to the above, we note that the cattle are the key assets in the Secured Assets and that under a forced sale situation[33], the proceeds from any disposal of the cattle are not expected to be materially different from the book value recognised on the balance sheet. Accordingly, we would expect the Guarantee Fee to be at the lower end of the range within the convertible notes.

RFF is providing a Guarantee to support the financing of the operations of the Feedlots. Accordingly, the risks associated with the Guarantee being called upon are tied to, albeit not directly, to the risks of the feedlots. Accordingly, to assess an appropriate return for providing the Guarantee and in turn the indirect risks of the operations of the feedlots we have assessed the cost of equity for the operation.

Our assessed cost of equity range is between 8.1% and 8.7%. A detailed breakdown of the calculation and related support is provided in Appendix B. We note that the Guarantee Fee less adjustments for insurance costs and J&F interest on the Cash Advance Facility is substantially in line with the lower end of the cost of equity range, which given the lower risk of the Guarantee (supported by the second-ranking security) appears reasonable.

9.2 Conclusion – Guarantee Fee

Based on the above analysis, we conclude that the Guarantee Fee appears to be on an arm's length basis and on terms not less favourable than alternative funding options.

[32] Based on the facility balance
[33] Under the circumstances of JBS defaulting.

10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum dated December 2021.
- RFM and RFF audited financial reports.
- RFF and RFM budget FY22.
- ASX announcements by RFF.
- Baybrick Pty Ltd financial report for the year ending 31 December 2020 and 31 December 2019.
- J&FAustralia Pty Ltd financial report for the year ending 30 June 2020 and 30 June 2021
- Deed of Amendment and restatement – Cattle Purchase and Sale Agreement.
- Deed of Amendment and restatement – Guarantee Agreement.
- Letter Agreement – Provision of Management Services.
- Letter Agreement - General security agreement in favour of Rural Funds Management Limited
- Existing Common Terms Deed, J&F Guarantee and Indemnity Deed.
- Existing Syndicated Facility Agreement.
- Existing Cattle Purchase and Sale Agreement.
- Existing Cattle Management Services and Feeding Agreement.
- Existing Side Deed.
- Existing Cattle Management Services and Feeding Agreement.
- Existing Guarantee Agreement.
- Existing Deed of Novation and Assignment.
- Financial model with calculation of Guarantee Fee.
- IBISWorld industry reports.
- Other market and industry reports made publicly available by livestock and agriculture bodies.
- S&P Global (Capital IQ).
- Various broker reports and independent expert's reports.
- Other publicly available information.

In preparing this Report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from Management of RFM.

10.2 Limitations and reliance on information

This Report and opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This Report has been prepared to assist the Directors in advising the Non-Associated Unitholders in relation to the adjusted Guarantee facility. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the adjusted Guarantee facility is fair and reasonable to the Non-Associated Unitholders.

The Company has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred

10.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Explanatory Memorandum to be sent to the Non-Associated Unitholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Cost of Equity Assessment

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- βe = expected equity beta of the investment
- (Rm – Rf) = market risk premium

Risk-free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 15 years.

Australia Government Debt - 10 Year as at 10 December 2021	Range			Daily average Nominal
Previous 5 trading days	1.59%	-	1.69%	1.64%
Previous 10 trading days	1.59%	-	1.75%	1.67%
Previous 20 trading days	1.59%	-	1.88%	1.75%
Previous 30 trading days	1.59%	-	1.92%	1.77%
Previous 60 trading days	1.24%	-	2.10%	1.69%
Previous 1 year trading	0.93%	-	2.10%	1.45%
Previous 2 years trading	0.60%	-	2.10%	1.20%
Previous 3 years trading	0.60%	-	2.48%	1.32%
Previous 5 years trading	0.60%	-	2.99%	1.86%
Previous 10 years trading	0.60%	-	4.44%	2.52%
Previous 15 years trading	0.60%	-	6.79%	3.46%

Source: S&P Global
Note: The above analysis has been performed as at 10 December 2021.

Given the current volatility in the global financial markets in conjunction with COVID-19, quantitative easing by central banks we have placed more emphasis on the average risk free rate observed over a longer period of time. Accordingly, our adopted risk-free rate of 3.0% is based on the long-term real yield on Australian 10-year and 15-year government bonds.

In addition, we have examined broker reports of RFF and comparable A-REITs and analysts adopted a risk-free rate in the range of 2.0% and 4.3% with an average of 2.8%.

Market risk premium

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium of 6.0% for the Australia markets.

Equity beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of the Report, we have had regard to the observed betas (equity betas) of comparable listed companies operating in agricultural industry as well as A-REITS with a long WALE[34]. RFF is an agricultural A-REIT which is structured such that is less exposed to agricultural risks. However, RFF will still be exposed to certain agricultural risks as its lessees are agricultural operators and processors.

		2 years weekly betas						5 years monthly betas					
Beta analysis Company	MC A$m	Equity Beta	R- square	Gearing Ratio	Ungear. Beta	Regear. Beta	Adopted Beta	Equity Beta	R- square	Gearing Ratio	Ungear. Beta	Regear. Beta	Adopted Beta
Agricultural stocks - Australia													
Rural Funds Group	1,197	0.52	0.25	35.7%	0.42	0.52	0.52	0.17	0.02	38.4%	0.13	0.16	Nmf
Treasury Wine Estates Limited	8,725	0.54	0.08	14.0%	0.49	0.61	0.61	0.50	0.06	10.7%	0.47	0.58	0.58
Inghams Group Limited	1,243	0.47	0.15	153.7%	0.23	0.28	0.28	0.31	0.04	98.6%	0.18	0.23	Nmf
Elders Limited	1,777	0.38	0.08	13.7%	0.34	0.43	0.43	0.20	0.01	14.0%	0.18	0.23	Nmf
Select Harvests Limited	743	0.04	0.00	49.4%	0.03	0.04	Nmf	0.20	0.01	24.9%	0.17	0.22	Nmf
Australian Agricultural Company Limite	931	0.40	0.11	51.3%	0.30	0.37	0.37	(0.05)	0.00	52.0%	(0.03)	(0.04)	Nmf
Costa Group Holdings Limited	1,314	0.60	0.12	33.8%	0.48	0.60	0.60	0.50	0.03	29.2%	0.42	0.52	Nmf
Ridley Corporation Limited	431	0.46	0.07	40.8%	0.36	0.44	0.44	0.76	0.18	34.5%	0.61	0.76	0.76
Australian Vintage Ltd	195	0.72	0.19	54.9%	0.52	0.65	0.65	1.02	0.23	64.7%	0.70	0.88	0.88
Beston Global Food Company Limited	60	0.27	0.01	47.5%	0.20	0.25	Nmf	0.06	0.00	50.9%	0.04	0.06	Nmf
Australian Dairy Nutritionals Group	28	0.39	0.03	11.9%	0.36	0.45	Nmf	0.10	0.00	18.6%	0.09	0.11	Nmf
Wingara AG Limited	16	0.18	0.01	69.4%	0.12	0.15	Nmf	0.22	0.01	58.4%	0.16	0.19	Nmf
A-REITs with long WALE													
Cromwell Property Group	2,265	0.87	0.37	0.90	0.53	0.66	0.66	0.89	0.42	0.74	0.59	0.73	0.73
Charter Hall Long WALE REIT	3,202	0.99	0.45	36.3%	0.79	0.98	0.98	0.56	0.26	35.8%	0.45	0.56	0.56
Shopping Centres Australasia Property	3,175	0.74	0.37	39.2%	0.58	0.72	0.72	0.56	0.20	44.3%	0.43	0.53	0.53
Elanor Retail Property Fund	138	0.75	0.19	31.2%	0.62	0.77	0.77	0.93	0.30	56.3%	0.67	0.83	0.83
Charter Hall Retail REIT	2,412	0.88	0.38	0.40	0.69	0.86	0.86	0.95	0.44	0.47	0.71	0.89	0.89
Centuria Industrial REIT	2,481	0.97	0.56	37.4%	0.77	0.96	0.96	0.83	0.40	51.4%	0.61	0.76	0.76
Vital Healthcare Property Trust	1,658	1.02	0.55	55.2%	0.73	0.91	0.91	0.72	0.29	60.6%	0.50	0.62	0.62
ALE Property Group	1,147	0.66	0.23	51.7%	0.48	0.60	0.60	0.79	0.33	51.0%	0.58	0.72	0.72
Charter Hall Social Infrastructure REIT	1,427	1.22	0.41	0.19	1.08	1.35	1.35	1.46	0.49	29.9%	1.21	1.50	1.50
Arena REIT	1,562	1.33	0.39	0.18	1.18	1.47	1.47	1.43	0.41	22.7%	1.23	1.53	1.53
Dexus Convenience Retail REIT	491	0.81	0.44	32.7%	0.66	0.82	0.82	0.77	0.49	33.4%	0.63	0.78	0.78
Centuria Office REIT	1,400	1.16	0.43	60.4%	0.82	1.02	1.02	1.39	0.59	55.4%	1.00	1.24	1.24
Low							**0.28**						**0.53**
Median							**0.72**						**0.76**
Average							**0.76**						**0.86**
High							**1.47**						**1.53**

Source: S&P Global and GTCF calculations

Note (1): Equity betas are calculated using data provided by S&P Global as at 10 December 2021. The betas are based on a five-year period with monthly observations as well as two-year period with weekly observations both based on the local index. Betas have been ungeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). Betas have been regeared based on the assumed

[34] Weighted Average Lease Expiry.

regearing ratio of 35% which corresponds with RFF"s target gearing ratio. We note that comparable companies have gearing ratios of approximately 40%. 2) Some betas are not statistically significant, denoted as "nmf", therefore we have not relied upon them.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

The betas are de-geared using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had gearing positions of circa 33%. We then re-geared based on a target gearing ratio of 35% debt (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected a beta range of between 0.80 and 0.90 to calculate the required rate of return on equity capital. In our beta assessment we had mainly regards to other long WALE REITs (5-year beta average of 0.89; 2-year beta average of 0.93) and broker estimates of RFF's beta[35] (0.96).

[35] CLSA adopted a leveraged beta of 0.96 for RFF in November 2021.

Specific risk premium

Specific risk premium (“SRP”) represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

Discount rate summary

All the above results in our assessed cost of equity range summarised in the below table.

Cost of equity calculation	Low	High
Cost of equity		
Risk free rate	3.0%	3.0%
Beta	0.85	0.95
Market risk premium	6.0%	6.0%
Specific risk premium	0.0%	0.0%
Cost of equity	**8.1%**	**8.7%**
Cost of equity - midpoint	**8.40%**	

Source: GTCF Analysis

Discount rate benchmarking

We consider the above stated cost of equity range not unreasonable due to the following:

- RFF reports a discount rate in the range of 6.75% to 7.50% (presumably WACC) for its almond orchard property valuation, which represents approximately 41% of RFF’s portfolio value. We would expect the cost of equity to be slightly higher.

- Relevant listed agricultural companies report on average a discount rate (presumably WACC) of 7.8%. We would expect the cost of equity to be slightly higher based on debt profile of these companies.

- Relevant A-REITs with long WALE report on average a discount rate (presumably WACC) in the range of 5.3% to 8.0%.

- RFF is covered by four relevant brokers UBS, Bell Potter, Wilsons / Auerbach Grayson[36] and CLSA. Bell Potter adopts a cost of equity for RFF of 9.2%. CLSA adopts a cost of equity for RFF of 7.8%.

- Several brokers adopt a cost of equity for relevant A-REITs (with long WALE) between 6.1% and 9.8% with a median of 7.6%.

Based on the above, we consider our adopted cost of equity in the range of 8.1% and 8.7% (with a mid-point of 8.4%) not unreasonable.

[36] Information is provided by Wilsons.

Appendix C – Comparable companies

Company	Business description
Australian Agricultural Company Limited (ASX:AAC)	Australian Agricultural Company Limited produces and sells cattle and beef in Australia. The company engages in owning, operating, and developing pastoral properties; and production of beef, including breeding, backgrounding, and feedlotting. It provides its products under the Wylarah, Westholme, and Darling Downs Wagyu brands. The company operates an integrated cattle production system across 19 owned cattle stations, 3 leased stations, 3 agisted properties, 2 owned feedlots, and 2 owned farms covering an area of approximately 6.4 million hectares of land in Queensland and the Northern Territory. It also exports its products. The company was founded in 1824 and is based in Brisbane, Australia.
Select Harvest Limited (ASX:SHV)	Select Harvests Limited engages in the processing, packaging, marketing, and distribution of edible nuts, dried fruits, seeds, muesli, and various natural health foods in Australia. It grows, processes, and sells almonds to the food industry from company owned and leased almond orchards, as well as holds a portfolio of approximately 9,262 hectares of almond orchards located in Victoria, New South Wales, and South Australia. The company also exports its products to Asia, Europe, and the Middle East. It offers its products under Renshaw and Alling Farms in the wholesale and industrial markets. Select Harvests Limited was incorporated in 1969 and is based in Thomastown, Australia.
Elders Limited (ASX:ELD)	Elders Limited provides livestock, real estate, and wool agency services to rural and regional customers primarily in Australia. It operates through Branch Network, Wholesale Products, Feed and Processing Services, and Corporate Services and Other Costs segments. The company offers rural farm inputs, such as seeds, fertilizers, agricultural chemicals, animal health products, and general rural merchandise, as well as professional production and cropping advisory services; and provides retail services through corporate owned stores and through the Tucker Pet and Produce brand to independently owned member stores. It also provides on-farm sales to third parties, regular physical, and online public livestock auctions, as well as directly sells through its owned and third-party feedlots and livestock exporters; agency services for the sale of greasy wool; and brokering services for wool growers. In addition, the company offers farms, stations, and lifestyle estates marketing; residential real estate agency and property management; and water and home loan broking services. Further, it provides a range of banking and insurance products and services; and operates AuctionsPlus, an online livestock auction platform. Additionally, the company operates a beef cattle feedlot; and imports, processes, and distributes Australian meat in China. It is involved in the investment activities. The company was founded in 1839 and is headquartered in Adelaide, Australia.
Costa Group Holdings Limited (ASX:CGC)	Costa Group Holdings Limited produces, packs, and markets fruits and vegetables to food retailers. It operates through three segments: Produce, Costa Farms & Logistics, and International. The company offers mushrooms, raspberries, strawberries, blackberries, tomatoes, citrus, avocados, bananas, grapes, and other fruits. It also provides chilled logistics warehousing and services, as well as wholesale and marketing services. In addition, the company engages in licensing blueberry varieties in Australia, the Americas, China, Africa, and internationally; and berry farming activities in Morocco and China. As of June 23, 2021, it had approximately 5,000 planted hectares of farmland, 30 hectares of glasshouse facilities, and 3 mushroom growing facilities in Australia. The company also exports its products. Costa Group Holdings Limited was founded in 1888 and is based in Ravenhall, Australia.
Australian Vintage Ltd (ASX:AVG)	Australian Vintage Ltd, together with its subsidiaries, produces, packages, markets, and distributes wine in Australia, the United Kingdom, Europe, Asia, North America, and internationally. It operates through Australia / New Zealand; UK, Europe & Americas; Asia; Australasia / North America Bulk Wine and Processing; and Vineyards segments. The company offers wine under the Nepenthe, McGuigan Wines, Tempus Two, and Barossa Valley Wine Company brands. It also owns, operates, manages, and maintains vineyards; and provides packaged and bulk wines and grapes, as well as offers concentrate and winery processing services. The company sells its products through retail, wholesale, and distributor channels. The company was incorporated in 1991 and is based in Cowandilla, Australia.
Wingara AG Limited (ASX:WNR)	Wingara AG Limited engages in processing and marketing agricultural products in Australia. It offers oaten hay and other fodder products. The company also exports seafood and dairy products; and meat products, such as beef and lamb to Asia and the United States. In addition, it provides temperature-controlled facilities, blast freezing, and storage and distribution services. The company was formerly known as Biron Apparel Limited and changed its name to Wingara AG Limited in January 2016. Wingara AG Limited was incorporated in 1984 and is headquartered in Hawthorn, Australia.
Australian Dairy Nutritionals Group (ASX:AHF)	Australian Dairy Nutritionals Group operates as an integrated dairy producer in Australia. The company operates through Dairy Farms and Dairy Processing segments. The Dairy Farms segment owns and operates dairy farms and dairy livestock; and engages in the production and sale of fresh raw milk for conversion to milk and milk products. The Dairy Processing segment processes and sells dairy products that include milk, yoghurt, cream, and butter. It sells its products through supermarkets, home delivery, and foodservice and niche retailers. The company offers its products under the Camperdown Dairy, The Collective, and Future Milk brands. Australian Dairy Nutritionals Group is based in Port Melbourne, Australia.

Company	Business description
Treasury Wine Estates (ASX:TWE)	Treasury Wine Estates Limited operates as a wine company primarily in Australia, New Zealand, Asia, Europe, the Middle East, Africa, and the Americas. It engages in the viticulture and winemaking; and marketing, sale, and distribution of wine. The company's wine portfolio includes luxury, premium and commercial wine brands, such as 19 Crimes, Acacia Vineyard, Annie's Lane, Beaulieu Vineyard, Belcreme de Lys, Beringer Vineyard, Chateau St. Jean, Coldstream Hills, Devil's Lair, EMBRAZEN, Fifth Leg, Heemskerk, Hewitt Vineyard, Etude, Ingoldby, Jamieson's Run, Killawarra, Leo Buring, Lindeman's, Maison de Grand Esprit, Matua, Metala, Penfolds, Pepperjack, Provenance Vineyards, Rawson's Retreat, Rosemount Estate, Run Riot, Saltram, Samuel Wynn & Co, Secret Stone, Seppelt, Shingle Peak, Sledgehammer, Squealing pig, St Huberts, Stags' Leap Winery, Stellina di Notte, Sterling Vineyards, T'Gallant, The Walking Dead Wine, Wolf Blass, Wynns Coonawarra Estate, and Yellowglen. It also provides contract bottling services to third parties. The company owns and leases owns and leases 9,260 planted hectares of vineyards in Australia and New Zealand; and 3,200 planted hectares in California, including the Napa Valley, Sonoma County, Lake County, and Central Coast, as well 166 hectares in Italy and 60 hectares in France. It markets and sells its products to distributors, wholesalers, retails chains, independent retailers, and on-premise outlets, as well as directly to consumers. The company was founded in 1843 and is headquartered in Melbourne, Australia.
Inghams Group Limited (ASX:ING)	Inghams Group Limited, together with its subsidiaries, produces and sells chicken and turkey products in Australia and New Zealand. The company provides, fresh, fresh with flavor, frozen, gluten free, and ready to cook chicken and turkey products under the Ingham's brand name. It also offers stock feeds for poultry, pig, and dairy industries. The company was founded in 1918 and is based in North Ryde, Australia.
Ridley Corporation Limited (ASX:RIC)	Ridley Corporation Limited, together with its subsidiaries, provides animal nutrition solutions in Australia. It operates in two segments, Packaged Feeds and Ingredients, and Bulk Stockfeeds. The company offers packaged products and supplements, such as bagged poultry, dairy, dog, horse, and lifestyle animal feeds, as well as block and loose lick supplements; aquafeed, which includes extruded and steam pelleted products for various fin fish and prawns; and rendered poultry, red meat, and fish products for the pet food, stockfeed, and aquaculture sectors. It also provides monogastric and ruminant feeds, such as pellets, meals, concentrates, and premixes for poultry, pigs, dairy cattle, beef cattle, and sheep. The company offers its products primarily under the Ridley, Barastoc, Rumevite, Cobber, Primo, and Food for Dogs brands. It provides nutrition solutions to various food producers in the dairy, poultry, pig, aquaculture, sheep, and beef industries; laboratory animals in the research sector; and equine, canine, and home layer markets in the recreational sector. The company also exports its products. Ridley Corporation Limited was incorporated in 1987 and is headquartered in Melbourne, Australia.
Beston Global Food Company Limited (ASX:BFC)	Beston Global Food Company Limited, together with its subsidiaries, engages in the manufacture and sale of food and beverage products in Australia, Asia, Europe, and North America. It operates in four segments: Australian Dairy, Australian Meat, Australian Other, and International Other. The company owns milk production plants to produce cheese and other dairy products; and harvests, processes, packages, and distributes live, chilled, and frozen seafood; and produces and processes meat products. It also develops and produces health and food, beverage, and pharmaceutical products; processes spring water; and develops and commercializes end-to-end food traceability and anti-counterfeit technology solutions, as well as operates as a food e-commerce platform. Beston Global Food Company Limited was incorporated in 2014 and is based in Adelaide, Australia.
Centuria Industrial REIT (ASX:CIP)	CIP is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high quality Australian industrial assets. Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP). CPF2L, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with $10.2 billion in total assets under management and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.
Elanor Retail Property Fund (ASX:ERF)	Elanor Retail Property Fund (ASX:ERF) is an externally managed listed real estate investment fund investing in Australian retail property. The fund invests in high investment quality, non-discretionary retail based neighborhood and sub-regional shopping centers. The strategy of Elanor Retail Property Fund is to acquire assets that provide strong income and capital growth potential. The Elanor Retail Property Fund's management team has proven experience in identifying and managing high investment value retail property assets.
Charter Hall Social Infrastructure REIT (ASX:CQE)	Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure properties. Charter Hall Social Infrastructure REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure. Operating with prudence, Charter Hall as manager of CQE, has carefully curated a $40 billion plus diverse portfolio of over 1,100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our $7.3 billion development pipeline delivers sustainable, technologically enabled projects for our customers. The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

Company	Business description
Centuria Office REIT (ASX:COF)	COF is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. COF owns a portfolio of high quality assets situated in core office markets throughout Australia. COF is overseen by a hands-on, active manager and provides investors with income and the opportunity for capital growth from a pure play portfolio of high-quality Australian office assets. Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX listed Centuria Office REIT (COF). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with $10.2 billion in total assets under management and offers a range of investment opportunities including listed and unlisted property funds as well as tax effective investment bonds.
Dexus Convenience Retail REIT (ASX:AQR)	APN Convenience Retail REIT (ASX code: AQR) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. The Fund's portfolio of 79 properties valued at approximately $445 million, is predominantly located on Australia's eastern seaboard and is leased to leading Australian and international convenience retail tenants. The portfolio provides a long lease expiry profile and contracted annual rent increases delivering the Fund a sustainable and strong level of income security. Convenience Retail has a target gearing range of 25 – 40% as part of its conservative approach to capital management. APN Convenience Retail REIT is governed by an Independent Board of Directors and is managed by APN Property Group, a specialist real estate investment manager established in 1996.
Charter Hall Long WALE REIT (ASX:CLW)	Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust (REIT) listed on the ASX and investing in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases. Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors - office, industrial & logistics, retail and social infrastructure. Operating with prudence, we've carefully curated a $45 billion diverse portfolio of over 1,300 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long-term view, our $6.8 billion development pipeline delivers sustainable, technologically enabled projects for our customers. The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.
Shopping Centres Australasia Property Group (ASX:SCP)	SCA Property Group (SCP) includes two internally managed real estate investment trusts owning a portfolio of quality neighbourhood and sub-regional shopping centres located across Australia. The SCA Property Group invests in shopping centres predominantly anchored by non-discretionary retailers, with long term leases to tenants such as Woolworths Limited, Coles Group Limited and companies in the Wesfarmers Limited group. The SCA Property Group is a stapled entity comprising Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788).
Waypoint REIT Limited (ASX:WPR) (Viva Energy REIT Limited)	Waypoint REIT is Australia's largest listed REIT owning solely service station and convenience retail properties with a high quality portfolio of properties across all Australian States and mainland Territories. Waypoint REIT's objective is to maximize the long-term income and capital returns from its ownership of the portfolio for the benefit of all security holders. Waypoint REIT is a stapled entity in which one share in Waypoint REIT Limited (ABN 35 612 986 517) is stapled to one unit in the Waypoint REIT Trust (ARSN 613 146 464).
Vital Healthcare Property Trust (NZSE:VHP)	Vital Healthcare Property Trust is a real estate investment trust externally managed by Vital Healthcare Management Limited. The firm investments in health and medical related properties in New Zealand and Australia. It undertakes acquisition or development of medical or healthcare-related properties such as surgical and medical facilities, geriatric and continuing care facilities primary healthcare facilities, and health support facilities. The fund may invest in conjunction with other health service providers. It was formerly known as ING Medical Properties Trust and Calan Healthcare Properties Trust.
ALE Property Group (ASX:LEP)	ALE Property Group (ASX:LEP) is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of around 86 pub properties across the five mainland states of Australia. All of the properties are leased to Australian Leisure and Hospitality Group Limited (ALH) for an average initial term of around a further 9 years. ALH is owned by a joint venture (ALH Group); 75% is controlled by Woolworths Limited, Australia's leading retailer and the remaining 25% by one of Australia's leading hoteliers, the Bruce Mathieson Group (BMG). ALH Group, through its ownership of MGW, BMG and Taverner is Australia's leading pub operator. Woolworths is Australia's leading liquor retailer. Its operations include Dan Murphys and BWS.
Charter Hall Social Infrastructure REIT (ASX:CQE)	Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure properties. Charter Hall Social Infrastructure REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure. Operating with prudence, Charter Hall as manager of CQE, has carefully curated a $40 billion plus diverse portfolio of over 1,100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our $7.3 billion development pipeline delivers sustainable, technologically enabled projects for our customers. The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

Company	Business description
Arena REIT (ASX:ARF)	Arena REIT is an ASX300 listed property group that owns, manages and develops social infrastructure properties across Australia. Our current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing early learning and healthcare sectors.
Charter Hall Retail Real Estate Investment Trust (ASX:CQR)	Charter Hall Retail REIT is the leading owner and manager of property for convenience retailers. Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure. Operating with prudence, Charter Hall Group as Manager of CQR has carefully curated a $40 billion diverse portfolio of over 1100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our $7.3 billion development pipeline delivers sustainable, technologically enabled projects for our customers.
Cromwell Property Group (ASX:CMW)	Cromwell Property Group (ASX:CMW) is a diversified real estate investor and manager with operations on three continents and a global investor base. As at 30 June 2020, Cromwell had a market capitalisation of $2.4 billion, a direct property investment portfolio valued at $3.0 billion and total assets under management of $11.5 billion across Australia, New Zealand and Europe..

Appendix D – Glossary

'000 or K	Thousands
A$ or $	Australian Dollar
AAC	Australian Agricultural Company
AASB	Australian Accounting Standards Board
ABARES	Australian Bureau and Resource Economics and Sciences
ACT	Australian Capital Territory
Additional Guarantee	RFF has elected to seek Non-Associated Unitholder approval to increase the Current Guarantee by up to A$32 million.
ALFA	Australian Lot Feeders Association
ANZ	Australia and New Zealand Banking Group Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
B	Billions
Baybrick	Baybrick Pty Limited
BBSY	Bank Bill Swap Bid Rate
CAGR	Compound Annual Growth Rate
Call Option	The option held by JBS to buy the Feedlots at year 10 for the original purchase price indexed at CPI. This includes a provision that the call can be exercised from year 6 at the expense of incurring a break fee of A$2 million
CAPM	Capital Asset Pricing Model
Cattle Agreements	CMSFA and CPSA between JBS and J&F
CICL	Coleambally Irrigation Co-operative Limited
CMSFA	Cattle Management Services and Feeding Agreement
Corporations Act	Corporations Act, 2001 (Cth)
CPI	Consumer Price Index applicable to the property location, published by the Australian Bureau of Statistics
CPSA	Cattle Purchase and Sale Agreement
Current Guarantee	On 14 April 2020 RFF increased the Initial Guarantee to A$100 million as approved by Unitholders.
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Initial Guarantee	RFF initially provided a A$75 million limited guarantee to J&F for second rank security behind the Financiers on the Secured Assets of J&F.
Facilities Deed of Amendment	Deed of amendment to enact the increase in Finance Facilities
Feedlots	JBS' five owned feedlots (i.e. Beef City, Caroona, Mungindi, Prime City and Riverina Beef), as well as two additional contracted feedlots namely Smithfield and Yambinya and associated cropping land and water entitlements.
Finance Facilities	The amended finance facility to be provided by the Financiers to J&F in 2022, subject to approval of the increase in limit on the Existing Guarantee, comprising a limit of up to A$380 million consisting of: - Up to A$266 million 2-year working capital facility due in August 2022 - Up to A$114 million 2-year term facility due in August 2022 - A$5 million overdraft facility (part of the working capital facility)
Financiers	A major Australian bank (ANZ) and specialist agri-business lender (Rabobank)
FSG	Financial Services Guide

FYxx	Financial year ending 30 June
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 AFSL 247140
GST	Goods and Services Tax
Guarantee Deed of Amendment	Deed of amendment in relation to increasing the Current Guarantee from A$100 million by the Additional Guarantee of A$32 million for a total of A$132 million.
Guarantee Fee (Rate)	The Guarantee Fee is a sliding fee based on the facility balance and is payable to RFF by J&F at an agreed rate based on the Guarantee Fee Coupon Rate less adjustments. From the Guarantee Fee Coupon Rate is deducted insurance costs and J&F interest costs on the Cash Advance Facility with a further adjustment for any cash held as collateral.
Guarantee Fee Coupon Rate	The Guarantee Fee Coupon Rate varies between 9.73% and 11.25% and is net of the RFM Management Fee.
Guarantee or Bank Guarantee	Current Guarantee and Guarantee Deed of Amendment. The Guarantee has a term of 10 years to 2028 in line with the Cattle Agreements.
Guarantors	JBS Australia Pty Ltd, Baybrick Pty Ltd and Baybrick Landco Pty Ltd
Ha	Hectares
Independent Directors	Independent directors of RFM
Independent Expert	Grant Thornton Corporate Finance
J&F	J&F Australia Pty Ltd
J&F Cattle	All cattle in the Feedlots owned by J&F
JBS	JBS Australia Pty Ltd
JBS S.A.	JBS S.A. is listed on the Sao Paolo Stock Exchange (BOVESPA:JBSS3)
Landco	Baybrick Landco Pty Ltd
M	Millions
MRP	Market risk premium
NFAS	National Feedlots Accreditation Scheme
NLIS	National Livestock Identification System
Non-Associated Unitholders	Unitholders of RFF not associated with RFM
NSW	New South Wales
Olam	Olam Orchards Australia Pty Ltd
OTH	Over-the-hook (cattle prices)
PPSA	Personal Property Securities Act
Proposed Transaction	RFF has elected to seek Non-Associated Unitholders approval to increase the Initial Guarantee by up to A$32 million to a maximum of A$132 million.
ProTen	ProTen Investment Management Trust
ProTen Acquisition	ProTen Investment Management Pty Ltd acquires 17 broiler chicken farms and associated plant equipment from RFF for approximately A$72 million
QLD	Queensland
Rabobank	Coöperatieve Rabobank U.A., Australia Branch
REIT	Real Estate Investment Trust
Report	Independent Expert's Report by Grant Thornton
RF Active	RF Active ARSN 168 740 805
RFF or the Group	Rural Funds Group, a stapled group comprising Rural Funds Trust ARSN 122 951 578 RF Active ARSN 168 740 805
RFF-Owned Feedlots	The five feedlots acquired from JBS under the Sale and Leaseback transaction.

RFM	Rural Funds Management Limited ACN 077 492 838, responsible entity of four investment funds, of which RFF is the largest fund under management.
RFM Poultry	RFP
RFM Management Fee	A fee paid to RFM calculated as a percentage on the Guarantee ranging between 0.91% and 1.05%.
RFT	Rural Funds Trust ARSN 122 951 578
RG 112	ASIC Regulatory Guide 76 “Independence of Expert’s Reports”
RG 76	ASIC Regulatory Guide 76 “Related Party Transactions”
SA	South Australia
Sale and Leaseback	The acquisition of the Feedlots for A$52.7 million from JBS and subsequent 10-year triple net lease with CPI indexation to JBS
SCU	Standard Cattle Units
Secured Assets	J&F assets primarily consisting of the cattle on the Feedlots
Security	Second ranking security behind the Financiers on J&F assets
SHV	Select Harvest Limited
SRP	Specific risk premium
TWE	Treasury Wine Estates Limited
Unitholders	Unitholders of RFF
VIC	Victoria
WACC	Weighted average cost of capital

6. Notice of Meetings

Rural Funds Group comprising
Rural Funds Trust ARSN 112 951 578 and
RF Active ARSN 168 740 805

Rural Funds Management Limited (**RFM**), as responsible entity and manager of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 collectively referred to as Rural Funds Group (**RFF**), gives notice that Meetings of the Unitholders of Rural Funds Trust and RF Active (**Meetings**) will be held as follows:

Time: 11:00am (AEDT)
Date: Friday, 4 February 2022
Place: Rural Funds Management Limited, Level 2, 2 King Street Deakin ACT 2600

BUSINESS OF THE MEETINGS

Resolution: Approval of the Additional Guarantee

To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

'That for the purposes of ASX Listing Rule 10.1 and for all other purposes, the Unitholders of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 (Rural Funds Group) approve and authorise Rural Funds Management Limited (RFM), as responsible entity of Rural Funds Group, to amend existing agreements with J&F Australia Pty Ltd, a wholly owned subsidiary of RFM, to allow an additional $32.0 million Guarantee, bringing the total Guarantee limit amount to $132.0 million, to support the acquisition of cattle to stock the feedlots which are operated by JBS as described in the Explanatory Memorandum accompanying the Notice of Meetings.'

Independent Expert's Report: Unitholders should carefully consider the Independent Expert's Report contained in section 5 of this Explanatory Memorandum. The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that the Guarantee is fair and reasonable to the Unitholders who are not associated with Rural Funds Management Limited.

By order of the Board

Emma Spear
Company Secretary

Voting exclusion statement

ASX Listing Rules require RFM to disregard any votes cast on the Resolution by the person disposing of the substantial asset to, or acquiring the substantial asset from, RFF and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity).

In accordance with the ASX Listing Rules, and the Corporations Act, RFM will disregard any votes cast on the Resolution by Rural Funds Management Limited and any of its associates.
However, RFM need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the Proxy Form; or
- it is cast by the chairman of the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy sees fit.

Quorum

The quorum for a meeting of members of Rural Funds Trust or RF Active is two Unitholders, in person or by proxy, at all times during the meeting.

Entitlement to vote

The Board of RFM has determined that persons registered as Unitholders of Units as at 7.00pm (AEDT) on Thursday, 3 February 2022 will be entitled to attend and vote at the Meetings (subject to any applicable voting exclusion).

Votes to be disregarded

Under section 253E of the Corporations Act, the responsible entity of a registered scheme and its associates are not entitled to vote their interest on a resolution at a meeting of the scheme's members if they have an interest in the Resolution or matter other than as a member. The responsible entity and its associates may vote as proxies if their appointment specifies the way they are to vote, and they vote that way. In any case RFM and its associates will not be entitled to vote on the Resolution by virtue of the voting exclusion noted above.

Majority required

As the Resolution is an ordinary resolution, it will be passed if more than 50% of the votes cast by Unitholders entitled to vote on the Resolution are in favour.

Jointly held stapled securities

If a Unit in Rural Funds Trust is held jointly and more than one Unitholder votes in respect of that interest, only the vote of the Rural Funds Trust Unitholder whose name appears first in the register of Rural Funds Trust members counts. Similarly, if a Unit in RF Active is held jointly and more than one RF Active Unitholder votes in respect of that interest, only the vote of RF Active Unitholder whose name appears first in the register of RF Active members counts.

Voting procedure

Voting on the Resolution will be on a poll (rather than a show of hands). Unitholders who are entitled to vote on the Resolution will have one vote for each dollar value of the value of the total interests they have in RFF.

A Unitholder entitled to two or more votes does not have to exercise their votes in the same way and does not have to cast all their votes.

Voting

You can ensure your vote is cast in one of two ways:

- attending the Meetings and voting in person, or, if you are a corporate Unitholder, by a corporate representative voting for you; or
- appointing a proxy to attend and vote for you, using the enclosed Proxy Form and lodging your Proxy Form under the procedures described under "Proxy forms and voting" below.

Proxies

If a Unitholder is unable to attend the Meetings, the Unitholder may appoint a person (either an individual or body corporate) or the Chair of the Meetings to act as their proxy at the Meetings by completing the Proxy Form accompanying the Notice of Meetings.

Rural Funds Management Limited has appointed Ms Trudi Procter of McCullough Robertson to Chair the Meetings. Ms Procter, as Chair of the Meetings, has indicated she intends to vote all undirected proxies in favour of the Resolution. If a Unitholder appoints a body corporate as their proxy, the proxy will need to appoint an individual to act as its representative at the Meetings and send the authority to the Registry by 11:00am (AEDT) on Wednesday, 2 February 2022 or give it by hand when registering as a corporate representative.

If a Unitholder appoints two proxies, the Unitholder may specify the proportion or number of votes each proxy holder is entitled to exercise.

Where two proxies are appointed, and the appointment does not specify the proportion or number of the Unitholder votes, each proxy may exercise half of the votes. A proxy need not be a Unitholder.

Unless the proxy is required by law to vote, the proxy may decide whether or not to vote on any particular item of business. If the appointment of a proxy directs the proxy to vote on an item of business in a particular way, the proxy may only vote on that item as directed. Any undirected proxies on the Resolution may be voted by the appointed proxy as they choose, subject to the voting exclusions set out above.

Proxy forms and voting

The Proxy Form that accompanies this Notice of Meetings includes instruction on how to vote and appoint a proxy. To ensure that all Unitholders can exercise their right to vote on the Resolution, a Proxy Form is enclosed.

Proxy Forms should be completed and returned by no later than 11:00am (AEDT) on Wednesday, 2 February 2022.

The Proxy Form can be lodged as follows:

- by mail and posting it to: **Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia**
- by faxing it to: **(within Australia) (02) 9290 9655 (outside Australia) +61 2 9290 9655**
- in person: **Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 Australia**
- by emailing it to: **rfm@boardroomlimited.com.au**
- electronically: **by following the instructions included on the Proxy Form.**

Power of Attorney

To sign under Power of Attorney, you must lodge the Power of Attorney with the Registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to your Proxy Form when you return it.

Companies

Where the company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone.

Otherwise the Proxy Form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

Corporate representatives

A corporate investor wishing to appoint a person to act as its representative at the Meetings must provide that person with an authority executed in accordance with the Corporations Act authorising him or her to act as the company's representative. The authority must be sent to the Registry by 11:00am (AEDT) on Wednesday, 2 February 2022 or given by hand at the Meetings when registering as a corporate representative.

A form of "Certificate of Appointment of Corporate Representative" may be obtained from the Registry. A corporate Unitholder may appoint a proxy.

Registration

Registration will commence at 10:30am (AEDT) on the day of the Meetings, with the Meetings scheduled to begin at 11:00am (AEDT) on Friday, 4 February 2022. For ease of registration, please bring your Proxy Form to the Meetings (as lodged prior to the Meetings).

7. Glossary

Term	Definition
Additional Guarantee	An increase of $32.0 million to the Current Guarantee
AEDT	Australian Eastern Daylight Time
AFFO	Adjusted funds from operations
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange
ASX Listing Rules or Listing Rules	The official listing rules of ASX Limited
Corporations Act	Means the *Corporations Act 2001* (Cth)
Current Guarantee	The limited guarantee, approved up to $100.0 million, provided by RFF to J&F in August 2018 and April 2020, which enables JBS to replace a prior arrangement for the supply of cattle to its grainfed business
DPU	Distributions per Unit
Explanatory Memorandum	This document which sets out the Notice of Meetings and Explanatory Memorandum for the Guarantee for RFF Unitholders
FY21	The financial year ending 30 June 2021
FY22	The financial year ending 30 June 2022
Feedlots	J&F supply JBS with cattle, feed and associated costs used to stock the RFF-owned feedlots as well as two additional contracted feedlots, Smithfield and Yambinya
Guarantee	A limited guarantee, currently approved at $100.0 million and proposed to increase by $32.0 million to a total of $132.0 million, provided by RFF to J&F
Guarantee Fee	The monthly fee payable by J&F to RFF for provision of the Guarantee
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, AFSL 247 140)
Independent Expert's Report	The report produced by the Independent Expert and contained in Section 5
Initial Guarantee	The $75.0 million limited guarantee provided by RFF to J&F in August 2018
JBS	JBS Australia Pty Limited, a wholly owned subsidiary of Baybrick Pty Ltd. Baybrick Pty Ltd is a subsidiary of JBS S.A.
JBS Arrangements	The arrangements between JBS and J&F in relation to the Feedlots and the supply of cattle
J&F	J&F Australia Pty Ltd, a special purpose vehicle, wholly owned subsidiary of RFM, and RFF's counterpart to the Guarantee
Meetings	The Meetings of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 to consider the Resolution at 11:00am (AEDT) on Friday, 4 February 2022 at the offices of Rural Funds Management Limited, Level 2, 2 King Street, Deakin ACT 2600
Proxy Forms	The form that accompanies this Explanatory Memorandum which provides for Unitholders to give voting instructions and appoint proxies for the Meetings
Resolution	The resolution being put to Unitholders at the Meetings to approve the Additional Guarantee
RFF	Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 trading as Rural Funds Group (ASX:RFF)
RFM	Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701)
Unitholder	The registered holder of a Unit
Unit	A fully paid ordinary unit in Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805

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Rural Funds Management

Managing good assets with good people

Rural Funds Management Limited

ABN 65 077 492 838

AFSL 226 701

Level 2, 2 King Street Deakin ACT 2600
Locked Bag 150 Kingston ACT 2604

1800 026 665

investorservices@ruralfunds.com.au

www.ruralfunds.com.au

Rural Funds Group | ASX: RFF

Comprising:
Rural Funds Trust ARSN 112 952 578 and
RF Active ARSN 168 740 805 ("Fund")

Rural Funds Management

All Correspondence to:

By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Wednesday, 2 February 2022.**

TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/rffgm2022

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

BY SMARTPHONE

Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.
If you wish to appoint the Chair of the Meetings as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meetings as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meetings, the Chair of the Meetings will be your proxy. A proxy need not be a member of Rural Funds Group (Fund). Do not write the name of the issuer Fund or the registered member in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meetings and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Fund's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meetings must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Fund's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:
Individual: This form is to be signed by the member.
Joint Holding: where the holding is in more than one name, all the members should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (AEDT) on Wednesday, 2 February 2022.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online	https://www.votingonline.com.au/rffgm2022
By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia
@ Email Addres	rfm@boardroomlimited.com.au

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Rural Funds Group
Comprising:
Rural Funds Trust ARSN 112 952 578 and
RF Active ARSN 168 740 805 ("Fund")

☐ **Your Address**
This is your address as it appears on the Fund's unit register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Members sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Rural Funds Trust ARSN 112 952 578 and RF Active ARSN 168 740 805** (Fund) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

☐

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **Rural funds Management, Level 2, 2 King Street Deakin ACT 2600 on Friday, 4 February 2022 at 11:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Approval of the Additional Guarantee	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…………………………………………….... Contact Daytime Telephone……………………............................... Date / /