

Rural Funds Group

Managed by:
ASX: RFF  **Rural Funds Management**
Managing good assets with good people

Retail Offer Booklet



Issuer

Rural Funds Management Limited ACN 077 492 838, AFSL 226 701 as Responsible Entity of Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 trading as

Rural Funds Group

1 for 8.4 accelerated pro-rata non-renounceable entitlement offer at \$2.47 per Unit.

Last date for acceptance and payment: 5.00pm AEST on 28 July 2021.

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

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Joint Lead Managers and Underwriters

UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231 087
Bell Potter Securities Limited ABN 25 006 390 772 AFSL No. 243 480
Wilsons Corporate Finance Limited ABN 65 057 547 323 AFSL No. 238 383

Issue Date: 9 July 2021

Important notices

This Retail Offer Booklet is issued by Rural Funds Management Limited (ABN 65 077 492 838) (the **"Responsible Entity"** or **"RFM"**) as the Responsible Entity of the Rural Funds Group (**"RFF"** or the **"Fund"**) and is dated 9 July 2021.

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

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

Neither this Retail Offer Booklet nor the Entitlement and Acceptance Form is a product disclosure statement for the purposes of the Corporations Act 2001 (Cth). Accordingly, these documents do not contain all of the information which a prospective investor may require to make an investment decision. They do not, and are not required to contain all of the information that would otherwise be required to be disclosed in a product disclosure statement. They are not required to be and will not be, lodged with ASIC.

The Retail Offer Booklet should be read in conjunction with RFF's continuous disclosure announcements made to the Australian Securities Exchange (**"ASX"**) available at www.asx.com.au.

The Responsible Entity does not give any undertaking or representation that information in this Retail Offer Booklet will be updated,

except to the minimum extent required by law. Neither the Responsible Entity nor any other person warrants or guarantees the future performance of RFF or any return on any investment made under this Retail Offer Booklet.

None of the Underwriters, nor their related bodies corporate or affiliates, nor any of their respective directors, officers, partners, employees, representatives, contractors, consultants, agents or advisers (together, the **"Underwriter Parties"**) has authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Retail Offer Booklet and there is no statement in this Retail Offer Booklet which is based on any statement made by the Underwriters or by any Underwriter Party. To the maximum extent permitted by law, each Underwriter Party expressly disclaims all duties and liabilities (including for fault, negligence and negligent misstatement) in respect of, and makes no representations or warranties regarding, and takes no responsibility for, any part of this Retail Offer Booklet or any action taken by you on the basis of the information in this Retail Offer Booklet, and makes no representation or warranty as to the fairness, currency, accuracy, reliability or completeness of this Retail Offer Booklet.

Past performance

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

Forward-looking statements

This Retail Offer Booklet contains certain 'forward-looking statements'. Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', and other similar expressions. Any forward-looking statements, opinions and estimates provided in this Retail Offer Booklet are based

on assumptions and are subject to change without notice and involve known or unknown risk and uncertainties and other factors that are beyond the control of the Responsible Entity. Forward-looking statements may include indications, projections, forecasts and guidance on earnings, distributions and other estimates.

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

Risks

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

Financial information

Unless otherwise stated, all numbers in this Retail Offer Booklet are in A\$ and financial

data is presented as at 31 December 2020.

Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Australian Eastern Standard Time (AEST). Refer to the Key Dates section of this Retail Offer Booklet for more details.

No overseas registration

This Retail Offer Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units or the Retail Entitlement Offer, or to otherwise permit an offering of Units, in any jurisdiction outside Australia and New Zealand.

The distribution of this Retail Offer Booklet (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet outside Australia and New Zealand should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws.

In particular, the Units have not been, and will not be, registered under the US Securities Act of 1933 ("**US Securities Act**"), and may not be offered or sold in the United States or to, or for the account or benefit of, persons in the United States unless the Units are registered under the *US Securities Act*, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the *US Securities Act*.

The Investor Presentation, included in this Retail Offer Booklet at section 3, contains other important notices, disclaimers and acknowledgements. Please see section 5.17 of this Retail Offer Booklet for important Eligible Unitholder declarations in relation to the Retail Entitlement Offer.

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Image: Cotton at Lynora Downs, central Queensland, May 2021.

Cover image: Centre pivot irrigation at Comanche, central Queensland, May 2021.

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Letter from the Chairman and Managing Director

Dear Unitholder

Rural Funds Management Limited ("**RFM**"), as Responsible Entity and manager of Rural Funds Group ("**RFF**"), is pleased to offer you the opportunity to participate in a fully underwritten 1 for 8.4 accelerated pro rata non-renounceable entitlement offer of new units in RFF ("**New Units**") at an offer price of \$2.47 per New Unit ("**Offer Price**").

Entitlement Offer

On 8 July 2021, RFM announced its intention to raise \$100 million via a fully underwritten 1 for 8.4 accelerated pro rata non-renounceable entitlement offer ("**Equity Raising**") at the Offer Price.

The Entitlement Offer comprises:

- an offer to Eligible Institutional Unitholders ("**Institutional Entitlement Offer**"); and
- an offer to Eligible Retail Unitholders ("**Retail Entitlement Offer**") to which this Retail Offer Booklet relates.

The Institutional Entitlement Offer was successfully completed on 8 July 2021 and raised approximately \$30 million.

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited ("**Underwriters**") subject to the terms of an underwriting agreement (see section 5.11 for more details)

Use of proceeds

The purpose of the Equity Raising is to provide capital for:

1. The development of 1,000 ha of macadamia orchards;
2. The acquisition of cattle properties to be leased to corporate lessees; and
3. The acquisition of up to 8,338ML of water entitlements for \$38.4m¹ ("**Water Entitlements**").

Over the past two financial years RFF has acquired \$104 million of land and water in Rockhampton, Bundaberg and Maryborough for the development of 5,000 ha of macadamia orchards. Planting has commenced at Maryborough, with 500 ha to be planted by November 2021. An additional 500 ha will be planted by June 2022. The Equity Raising provides funding for these developments.

Planted orchards are tangible assets and more marketable than green field developments. As the orchards mature, they increase in value and may be leased at higher rates. However, as these assets currently achieve lower rates of return, RFM has reduced its FY22 management fee to zero for this portion of the portfolio. RFM is in discussions with several institutional and corporate lessees, and as assets are leased, management fees will resume.²

The Equity Raising will also provide \$100 million of capital for additional acquisitions. RFM, in conjunction with several corporate lessees, is seeking to acquire cattle properties which are likely to have similar productivity development potential as RFF's existing cattle properties. In addition, RFM has identified cropping opportunities, also with development potential.

Finally, the Equity Raising will be used to acquire Water Entitlements in the NSW Riverina, which are

leased to a private farming company. The lease term will be five years and is adjusted funds from operations (AFFO) accretive. RFM believes demand for secure water in this region will increase over the long term, as permanent plantings such as almond orchards continue.

Forecast FY22 AFFO will be 11.6 cents per unit (cpu), with accretion expected from additional acquisitions and finalisation of macadamia lessee. FY22 forecast distributions of 11.73 cpu are confirmed; representing a 4% increase on FY21.

Strategic rationale

The proceeds from the Equity Raising will be applied to acquisitions which are complementary to RFF's strategy, that is:

- **Adjusted funds from operations (AFFO) accretion:**
 - Capital will be applied to acquire assets that will increase AFFO.
 - AFFO will increase further when macadamia orchards are leased.
- **Higher and better use:**
 - Macadamia developments will convert cattle and sugarcane land to a more intensive farming enterprise. Capital growth and income from these developments will generate higher returns, consistent with past almond developments.
- **Productivity gains:**
 - Targeted cattle and cropping acquisitions will have potential for productivity gains consistent with past RFF acquisitions. Capital growth and income from these investments will generate higher returns.

RFM is pleased to provide Eligible Retail Unitholders with an opportunity to increase their investment in RFF and participate in the expected benefits of the acquisitions and long-term growth of RFF.

Retail Entitlement Offer

This letter relates to the Retail Entitlement Offer, which will raise approximately \$100 million. Under the Retail Entitlement Offer, Eligible Retail Unitholders can subscribe for 1 New Unit for every 8.4 Units they hold as at the Record Date at an Offer Price of \$2.47 per New Unit. The Offer Price under the Retail Entitlement Offer is the same Offer Price as for the Institutional Entitlement Offer, and represents a:

- 5.0% discount to RFF's last close price on 7 July 2021 of \$2.60
- 5.6% discount to RFF's 5-day volume weighted average price ("VWAP") to 7 July 2021 of \$2.62
- 4.5% discount to the theoretical ex-rights price ("TERP") of \$2.59³
- Forecast FY22 distribution yield of 4.7%⁴

New Units issued will rank equally with existing Units in RFF and will be fully entitled to the distribution for the quarter ending 30 September 2021.

The number of New Units which you are entitled to subscribe for under the Retail Entitlement Offer ("**Entitlement**") is set out in your personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is dispatched to Eligible Retail Unitholders on 14 July 2021.

If you wish to participate in the Retail Entitlement Offer you must ensure that your Application Monies are received before 5.00pm (AEST) on 28 July 2021 ("**Final Retail Closing Date**"), otherwise your rights under the Retail Entitlement Offer will lapse. Instructions for how to pay your Application Monies are set out in your personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is dispatched to you. Additionally, you have the opportunity to apply and pay for your Entitlements before 5.00pm (AEST) on 20 July 2021 ("**Early Retail Closing Date**"), and your New Units will be allotted on 4 August 2021.

You should seek appropriate professional advice before making any investment decisions. If you have any questions about the Retail Entitlement Offer, 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 (AEST), Monday to Friday prior to the Final Retail Closing Date.

If you do not wish to take up any of your Entitlement, you do not have to take any action.

The RFM Directors encourage you to participate in the Entitlement Offer and thank you for your continued support.

Yours faithfully



A handwritten signature in black ink, appearing to read 'Guy Paynter'.

Guy Paynter
Chairman



A handwritten signature in black ink, appearing to read 'David Bryant'.

David Bryant
Managing Director

1. The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.
2. Management fees will only be charged when assets generate market rates of income via leasing as cattle or cropping properties, or macadamia orchards.
3. TERP is calculated with reference to the last close price of \$2.60 on 7 July 2021.
4. Based on RFF's FY22 distribution guidance of 11.73 cents per unit.

Summary of the Entitlement Offer

Ratio	1 New Unit for every 8.4 Existing Units
Issue Price	\$2.47 per New Unit
Size	Approximately 40,464,352 New Units
Gross Proceeds	Approximately \$100 million

Key dates

Event	Date
Trading halt, Institutional Entitlement Offer opens	Thursday, 8 July 2021
Institutional Entitlement Offer closes	Thursday, 8 July 2021
Trading of Units recommences on ASX on an 'ex-entitlement' basis	Friday, 9 July 2021
Record Date for determining entitlement to subscribe for New Units	7.00pm (AEST) Monday, 12 July 2021
Retail Entitlement Offer Booklet is dispatched and Retail Entitlement Offer opens	Wednesday, 14 July 2021
Early Retail Closing Date	5.00pm (AEST), Tuesday, 20 July 2021
Settlement of New Units issued under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date	Wednesday, 21 July 2021
Allotment and normal trading of New Units issued under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date	Thursday, 22 July 2021
Retail Entitlement Offer closes	5.00pm (AEST), Wednesday, 28 July 2021
Allotment of remaining New Units issued under the Retail Entitlement Offer	Wednesday, 4 August 2021
Dispatch of holding statements and normal trading of remaining New Units issued under the Retail Entitlement Offer	Thursday, 5 August 2021

This timetable is indicative only and subject to change. The Responsible Entity may vary these dates, in consultation with the Underwriters, subject to the ASX Listing Rules. The last day for extension of the closing date is Friday 23 July 2021. An extension of the Closing Date will delay the anticipated date for issue of the New Units. The Responsible Entity also reserves the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Units. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Capital structure

Units on issue as at 8 July 2021 (announcement of the Entitlement Offer)	339,900,556
New Units to be issued under the Entitlement Offer	40,464,352
Units on issue after the Entitlement Offer	380,364,908

Underwriting

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited.

Risks

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

What should you do?

1. Read this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form

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

Eligible Retail Unitholders will receive a personalised Entitlement and Acceptance Form, accompanying this Retail Offer Booklet, setting out their Entitlement. Those Unitholders who have elected to receive notices by email, will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

The Retail Entitlement Offer is not being made under a product disclosure statement and therefore does not contain all of the information that must be disclosed in a product disclosure statement. The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act 2001, which allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Retail Entitlement Offer, when read with this Retail Offer Booklet and the accompanying information, is publicly available. You should read the publicly available information on the Fund and the Entitlement Offer (for example, available on www.ruralfunds.com.au/rural-funds-group/ or www.asx.com.au) prior to deciding whether to accept your Entitlement and apply for New Units.

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

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

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

3. What are your options?

If you are an Eligible Retail Unitholder, you have three options in relation to the Retail Entitlement Offer: you may subscribe for all, some, or none of your Entitlement. Eligible Retail Unitholders are not able to subscribe for more than their Entitlement.

Allotment of New Units offered under the Early Retail Entitlement Offer will take place on 22 July 2021 and the allotment of New Units offered under the Retail Entitlement Offer will take place on 4 August 2021.

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

Eligible Retail Unitholders who fully participate in the Retail Entitlement Offer will see their percentage holding in the Fund remain the same.

This is an accelerated pro-rata non-renounceable Entitlement Offer, and Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately. If you do not participate in the Retail Entitlement Offer, you will not receive any value for your Entitlement.

4. Apply for New Units

To participate in the Retail Entitlement Offer, you must complete and lodge a valid Entitlement and Acceptance Form and Applicable Monies for New Units, or make a payment via BPAY, by 5.00pm (AEST) on 28 July 2021. You can also apply and pay by the Early Retail Closing Date, and be allotted New Units on 22 July 2021. See section 1.3 for more information.

If you take no action, your Entitlement under the Retail Entitlement Offer will lapse.

5. Questions

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

1. Overview of the Entitlement Offer

1.1 Overview

Rural Funds Group ("RFF") is a stapled security comprising two trusts: Rural Funds Trust and RF Active. Rural Funds Trust holds the majority of RFF's assets including agricultural land, water and infrastructure from which it derives a passive income stream. At 31 December 2020, RF Active held around 2.1% of RFF's net assets, comprising Murrumbidgee River high-security water entitlements, breeding cattle and plant and equipment. RF Active assets are considered to be operational in nature.

The Responsible Entity is offering Eligible Unitholders the opportunity to subscribe for 1 New Unit for every 8.4 Existing Units held on the Record Date at an issue price per New Unit of \$2.47. The Entitlement Offer is non-renounceable, which means that the Entitlements are non-transferable and cannot be sold or traded on the ASX or any other exchange, or privately. If you do not participate in the Entitlement Offer, you will not receive any value for your Entitlement. The Entitlement Offer comprises:

- the Institutional Entitlement Offer; and
- the Retail Entitlement Offer (to which this Retail Entitlement Offer Booklet relates).

The Entitlement Offer is fully underwritten, and seeks to raise approximately \$100 million. The Offer Price under the Retail Entitlement Offer is the same as the Offer Price under the Institutional Entitlement Offer.

RFF raised approximately \$30 million through the Institutional Entitlement Offer and is seeking to raise approximately \$70 million under the Retail Entitlement Offer.

All New Units issued under the Entitlement Offer will be eligible to receive the quarterly distribution for the period ending 30 September 2021.

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

1.2 Institutional Entitlement Offer

On 8 July 2021, Eligible Institutional Unitholders were given the opportunity to take up all or part of their Entitlement under the Institutional Entitlement Offer.

The Institutional Entitlement Offer to raise approximately \$100 million, at an Offer Price of \$2.47 per New Unit was successfully conducted on 8 July 2021. New Units are expected to be allotted on 22 July 2021 under the Institutional Entitlement Offer.

1.3 Retail Entitlement Offer

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

The Retail Entitlement Offer constitutes an offer only to Eligible Retail Unitholders, being Unitholders on the Record Date who have a registered address in Australia or New Zealand, and are eligible under all applicable laws to receive an offer under the Retail Entitlement Offer. A person in the United States or acting for the account or benefit of a person in the United States or an Institutional Unitholder is not entitled to participate in the Retail Entitlement Offer.

Eligible Retail Unitholders have the opportunity to be allotted New Units up to their Entitlement at the same time as Eligible Institutional Unitholders under the Institutional Entitlement Offer, if they submit an Application and their relevant Application Monies are received by 5.00pm (AEST) on 20 July 2021 in accordance with their Entitlement and Acceptance Form. Otherwise, the Retail Entitlement Offer closes at 5.00pm (AEST) on 28 July 2021, with New Units to be allotted on 4 August 2021.

1.4 Ranking of New Units

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

1.5 Reconciliation and fractional entitlements

The Responsible Entity may need to issue a small quantity of additional New Units to ensure all Eligible Institutional Unitholders and Eligible Retail Unitholders have the opportunity to receive their full Entitlement. The price, at which these Units will be issued, will be the same as the Offer Price of \$2.47. The Responsible Entity may reduce the number of New Units allocated to Eligible Institutional Unitholders and Eligible Retail Unitholders if their Entitlement claims prove to be overstated.

To the extent that application of the offer ratio of 1 New Unit for every 8.4 Existing Units results in a fractional entitlement to New Units for a particular Unitholder, that Unitholder's Entitlement shall be rounded down to the next whole number of New Units.

1.6 Control

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

1.7 Underwriting

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited. See the Investor Presentation in section 3 and section 5.11 for further information regarding the underwriting arrangements.

1.8 Use of funds

The purpose of the Equity Raising is to provide capital for:

1. The development of 1,000 ha of macadamia orchards;
2. The acquisition of cattle properties to be leased to corporate lessees; and
3. The acquisition of up to 8,338ML of water entitlements for \$38.4m⁵ ("Water Entitlements").

Over the past two financial years RFF has acquired \$104 million of land and water in Rockhampton, Bundaberg and Maryborough for the development of 5,000 ha of macadamia orchards. Planting has commenced at Maryborough, with 500 ha to be planted by November 2021. An additional 500 ha will be planted by June 2022. The Equity Raising provides funding for these developments.

Planted orchards are tangible assets and more marketable than green field developments. As the orchards mature, they increase in value and may be leased at higher rates. However, as these assets currently achieve lower rates of return, RFM has reduced its FY22 management fee to zero for this portion of the portfolio. RFM is in discussions with several institutional and corporate lessees, and as assets are leased, management fees will resume.⁶

5. The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.

6. Management fees will only be charged when assets generate market rates of income via leasing as cattle or cropping properties, or macadamia orchards.

The Equity Raising will also provide \$100 million of capital for additional acquisitions. RFM, in conjunction with several corporate lessees, is seeking to acquire cattle properties which are likely to have similar productivity development potential as RFF's existing cattle properties. In addition, RFM has identified cropping opportunities, also with development potential.

Finally, the Equity Raising will be used to acquire Water Entitlements in the NSW Riverina, which are leased to a private farming company. The lease term will be five years and is adjusted funds from operations (AFFO) accretive. RFM believes demand for secure water in this region will increase over the long term, as permanent plantings such as almond orchards continue.

Forecast FY22 AFFO will be 11.6 cents per unit (cpu), with accretion expected from additional acquisitions and finalisation of macadamia lessee. FY22 forecast distributions of 11.73 cpu are confirmed; representing a 4% increase on FY21.

1.9 Allotment

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

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

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

1.10 Quotation and trading

The Responsible Entity will make an application within seven days from the date of this Offer for quotation of the New Units on the ASX.

Subject to ASX approval being granted, it is expected that:

- normal trading of New Units allotted under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date will commence on 22 July 2021; and
- normal trading of New Units allotted under the Retail Entitlement Offer will commence on 5 August 2021.

1.11 Holding statements

Holding statements are expected to be dispatched to Eligible Unitholders:

- on 22 July 2021 in respect of New Units allotted under the Institutional Entitlement Offer and the Retail Entitlement Offer for applications received by the Early Retail Closing Date; and
- on 5 August 2021 in respect of New Units allotted under the Retail Entitlement Offer for applications received after the Early Retail Closing Date and, on or before, the Final Retail Closing Date.

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

1.12 Withdrawal of the Entitlement Offer

The Responsible Entity reserves the right to withdraw the Entitlement Offer at any time, in which case the Responsible Entity will refund any Application Monies already received in accordance with the Corporations Act 2001 and will do so without interest.

2. How to apply - Eligible Retail Unitholders

2.1 Eligible Retail Unitholders

An Eligible Retail Unitholder is generally a person or entity who holds Existing Units on the Record Date and who has a registered address in Australia or New Zealand and is not located in the US and is not a US Person (or a person acting for the account or benefit of a US Person).

Eligible Retail Unitholders will receive a personalised Entitlement and Acceptance Form, accompanying this Retail Offer Booklet, setting out their Entitlement. Those Unitholders who have elected to receive notices by email will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

Eligible Retail Unitholders may:

- take up all or part of their Entitlement by the Early Retail Closing Date or the Final Retail Closing Date (refer to section 2.2); or
- do nothing and allow their Entitlement to lapse. It is not possible to sell or transfer your Entitlement if you decide not to take it up (refer to section 2.3).

Eligible Retail Unitholders are not able to subscribe for more than their Entitlement.

2.2 How can Eligible Retail Unitholders take up their Entitlement?

You should read this Retail Offer Booklet and the Entitlement and Acceptance Form and seek appropriate professional advice if necessary. If you then wish to take up some, or all of your Entitlement, there are two different ways you can submit your Application and Application Monies.

If you wish to participate in the offer, you are encouraged to apply via BPAY to avoid postal delays caused by the COVID-19 pandemic, as you do not need to return this Application Form if you choose to pay by BPAY.

2.2.1 Payment via BPAY

To apply and pay via BPAY, you should make your payment in respect of the full Application Monies via BPAY for the number of New Units you wish to subscribe for, being the issue price of \$2.47 per New Unit multiplied by the number of New Units you are applying for.

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

If you wish to participate in the Early Retail Offer and be allotted New Units at the same time as the Eligible Institutional Unitholders, your Application Monies must be received via BPAY only, by the Early Retail Closing Date, being 5.00pm (AEST) on 20 July 2021.

Alternatively, if your Application Monies are received after the Early Retail Closing Date, but before the Final Retail Closing Date, your Application will be processed with the Retail Entitlement Offer, which closes at 5.00pm (AEST) on 28 July 2021 and New Units will be allotted on 4 August 2021. **Payment of the Application Monies will not be accepted after the Final Retail Closing Date, being 5.00pm (AEST) on 28 July 2021. New Units will not be issued for monies received after this date.**

You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution. If you choose to pay via BPAY, you are **not required to submit the Entitlement and Acceptance Form** but are taken to make the statements on that form and representations outlined below in section 2.4 "Implications of making an Application", including the Eligible Unitholder declarations set out in section 5.17 of this Retail Offer Booklet.

Please be aware of cut-off times with regards to electronic payment. These vary between financial institutions, and you should take this into consideration when making payment of Application Monies. If the amount of Application Monies is insufficient to pay in full for the number of New Units you applied for, you will be taken to have applied for such whole number of New Units which is covered in full by your Application Monies. Alternatively, your Application may be rejected.

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

Complete your entitlement and Acceptance Form accompanying this Retail Offer Booklet indicating the number of New Units you wish to subscribe for. The form must be returned to the Registry (address details below) together with a cheque, bank draft or money order, which must be:

- in respect of the full Application Monies (being \$2.47 multiplied by the number of New Units you wish to subscribe for);
- in Australian currency drawn on an Australian branch of a financial institution; and
- made payable to 'Rural Funds Group' and crossed 'Not Negotiable'.

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

If you wish to be allotted New Units, your Entitlement and Acceptance Form and your Application Monies must be received by the Registry no later than the Final Retail Closing Date, being 5.00pm (AEST) on 28 July 2021. Entitlement and Acceptance Forms (and payments for Application Monies) will not be accepted after the Final Retail Closing Date and no New Units will be issued to you in respect of that Application.

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

Postal Address

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

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

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

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

Any Application Monies received for more than your Entitlement to New Units will be refunded as soon as practicable after allotment. No interest will be paid to Applicants on any Application Monies received or refunded.

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

If you are an Eligible Retail Unitholder and you do nothing, the Entitlement in respect of your Existing Units will lapse. If this occurs, then your proportionate interest in the Fund will be reduced to the extent that New Units are issued to other Unitholders and Institutional Investors.

2.4 Implications of making an Application

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

- have received a copy of this Retail Offer Booklet accompanying the Entitlement and Acceptance Form, and have read them in their entirety;
- have made the Eligible Unitholder declarations set out in section 5.17 of this Retail Offer Booklet; and
- acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law.

2.5 Enquiries

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

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

Please call RFM on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday.

3. ASX announcement and Investor presentation

Rural Funds Group

ASX:
RFF



ASX release

Subject: \$100 million Equity Raising and webinar invitation

8 July 2021

Rural Funds Management Limited ("RFM"), the responsible entity and manager of Rural Funds Group ("RFF"), is pleased to announce a \$100 million equity raising via a fully underwritten 1 for 8.4 accelerated pro rata non-renounceable entitlement offer ("Equity Raising"). The purpose of the Equity Raising is 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 up to 8,338 ML of water entitlements for \$38.4 million¹ ("Water Entitlements") which are leased to a private farming company for five years.

Webinar details

Management will host a webinar to detail the Equity Raising at 11:00am AEST, Friday, 9 July 2021. Participants can register via the following link:

<https://attendee.gotowebinar.com/register/7944848237569538315>

Use of proceeds

Throughout FY20 and FY21 RFF has acquired \$104 million of land and water in Rockhampton, Bundaberg and Maryborough for the development of 5,000 ha of macadamia orchards. Planting has commenced at Maryborough, with 500 ha to be planted by November 2021. An additional 500 ha will be planted by June 2022. The Equity Raising provides funding for these developments.

The Equity Raising will also provide capital for:

- Additional acquisitions: RFM, in conjunction with several corporate lessees, are seeking to acquire additional cattle properties which are likely to have similar productivity development potential as RFF's existing cattle properties; and
- Acquisition of the Water Entitlements in the NSW Riverina, which are leased to a private farming company for a term of five years. RFM believes demand for secure water in this region will increase over the long term, as permanent plantings such as almond orchards continue.

Financial impact

Including the impact of the acquisition of the Water Entitlements transaction and Equity Raising, RFF provides the following financial forecasts:

- FY22 forecast adjusted funds from operations (AFFO) of 11.6 cents per units (cpu) with accretion from additional acquisitions and finalisation of macadamia lessee;
- FY22 forecast distributions of 11.73 cpu confirmed, representing a 4% increase on FY21; and

¹ The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.

Rural Funds Group

ASX:
RFF



- Decrease pro forma gearing² as at 31 December 2020 to 23.9%, compared to RFF's gearing target of 30—35% and provides pro forma balance sheet capacity of up to \$185 million.

Equity Raising

The Equity Raising is a fully underwritten 1 for 8.4 accelerated pro rata non-renounceable entitlement offer to raise \$100 million.

The fixed offer price of \$2.47 per Unit represents a:

- 5.0% discount to RFF's last close price on 7 July 2021 of \$2.60;
- 5.6% discount to RFF's 5-day VWAP to 7 July 2021 of \$2.62;
- 4.5% discount to the theoretical ex-rights price (TERP) of \$2.59³; and
- FY22 forecast distribution yield of 4.7%.

New Units issued will rank equally with existing Units in RFF and will be fully entitled to the distribution for the quarter ending 30 September 2021.

RFM and Managing Director David Bryant collectively hold approximately 4.5% of existing Units and have committed to take up a minimum of \$1.5 million. RFM Chairman Guy Paynter and Director's Michael Carroll and Julian Widdup hold 0.6% of existing Units and have committed to take up their entitlement in full, amounting to approximately \$0.6 million.

The institutional component of the Equity Raising will be conducted today, and the retail component will open on Wednesday, 14 July 2021 and close at 5.00pm on Wednesday, 28 July 2021 ("Retail Offer Period").

Additional information

Additional information regarding the Equity Raising is contained in the investor presentation released to the ASX today. A retail offer booklet will be released separately and sent to Eligible Retail Unitholders. Those Unitholders who have elected to receive notices by email will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) between 8:30am and 5:00pm (Sydney time), Monday to Friday during the Retail Offer Period.

² Gearing is calculated as external borrowings / adjusted total assets.

³ TERP is calculated with reference to the last close price of \$2.60 on 7 July 2021.

Rural Funds Group

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RFF



Key dates

Event	Date
Trading halt and announcement of the Entitlement Offer	Thursday, 8 July 2021
Institutional Entitlement Offer bookbuild	Thursday, 8 July 2021
Announcement of results of Institutional Entitlement and trading of Units recommences on ASX on an 'ex-entitlement' basis	Friday, 9 July 2021
Record Date for Equity Raising	7:00 PM, Monday, 12 July
Retail Entitlement Offer Booklet is dispatched and Retail Entitlement Offer opens	9:00 AM, Wednesday, 14 July 2021
Early Retail Entitlement Offer acceptances due	5:00 PM, Tuesday, 20 July 2021
Settlement of Units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Wednesday, 21 July 2021
Allotment and normal trading of Units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Thursday, 22 July 2021
Retail Entitlement Offer closes	5:00 PM, Wednesday, 28 July 2021
Settlement of new Units issued under the Retail Entitlement Offer	Tuesday, 3 August 2021
Announcement of results of Retail Entitlement Offer and allotment of remaining Units issued under the Retail Entitlement Offer	Wednesday, 4 August 2021
Dispatch of holding statement and normal trading of remaining Units issued under the Retail Entitlement Offer	Thursday, 5 August 2021

All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to Australian Eastern Standard Time (AEST). Subject to the requirements of the Corporations Act, the ASX listing rules and any other applicable laws, RFF, in consultation with the Underwriters, reserves the right to amend this timetable at any time.

Rural Funds Group (ASX: RFF)

Rural Funds Group is an agricultural Real Estate Investment Trust (REIT) listed on the ASX under the code RFF. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. RFF targets distribution growth of 4% per annum by owning and improving farms that are leased to good counterparties. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805).

Rural Funds Management Limited (RFM)

Rural Funds Management Limited is the responsible entity and manager of RFF. RFM is an agricultural fund and asset manager established in 1997. The management team includes specialist fund managers, finance professionals, horticulturists, agronomists and other agricultural managers. RFM's company culture is informed by its long-standing motto "Managing good assets with good people".

Authorised by:	For further information:	RFM details:
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www.ruralfunds.com.au

Acquisition and equity raising

8 July 2021



Disclaimer and glossary of terms



Disclaimer

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This presentation includes 'forward-looking statements'. These forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. They involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of RFF to be materially different from those expressed or implied by the forward-looking statements. Accordingly, there can be no assurance or guarantee regarding these statements and you must not place undue reliance on these forward-looking statements. RFM, RFF and the JLM Group disclaim any responsibility for the accuracy or completeness of any forward-looking statements.

Glossary

Adjusted NAV - Net Asset Value (NAV) adjusted for the independent valuation of water entitlements, in excess of cost; **Adjusted total assets** - Total assets adjusted for the independent valuation of water entitlements, in excess of cost; **ASX** - Australian Securities Exchange; **AFFO** - Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense); **CAGR** - Compound annual growth rate; **Counterpart** - A party other than RFF involved in a financial transaction, usually referring to the lessee of a property; **CPI** - Consumer Price Index; **CT** - Calendar year; **EVCI** - Eastern Young Cattle Indicator; **Fair value** - Value of an asset as determined by an independent valuation; **FY22** - Financial Year ending 30 June 2022; **Gearing** - Calculated as external borrowings/adjusted total assets; **Group** - Term used for the Rural Funds Group; **ha** - Hectare(s); **HY21** - Half-year ended 31 December 2020; **IRR** - Internal Rate of Return assuming leverage in-line with RFF target gearing; **LVR** - Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **ML** - Megalitre(s); **m** - Million(s); **NAV** - Net asset value, calculated as assets less the value of liabilities (water entitlements recorded at the lower of cost or fair value); **Pro forma** - Financial statements based on certain assumptions and projections; **Total assets** - Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value); **REIT** - Real Estate Investment Trust; **RFF** - Rural Funds Group (ASX:RFF); **RFM** - Rural Funds Management Limited, manager and responsible entity for RFF; **2H21** - Second half of the financial year ended 30 June 2021.

Pivot irrigation at Comanche, central Queensland, May 2021.

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Presenters



David Bryant
Managing Director



Tim Sheridan
Chief Operating
Officer



Daniel Yap
Chief Financial
Officer



James Powell
General Manager –
Investor Relations
& Marketing

Contents

1. Purpose of the Equity Raising
2. Equity raising details and conclusion
3. Appendices

1 Purpose of the Equity Raising



Macadamia planting material Glendorf, central Queensland, May 2021.

Overview

Equity Raising for macadamia developments, cattle acquisitions and an accretive water transaction.



Purpose

- The purpose of the Equity Raising is to provide capital for:
 - The development of 1,000 ha of macadamia orchards;
 - To acquire cattle properties to be leased by corporate lessees; and
 - The acquisition of up to 8,338ML of water entitlements for \$38.4m¹ ("Water Entitlements") which are leased to a private farming company for five years, on AFFO accretive terms.

Fund update

- FY21 forecast AFFO of 11.7 cents per unit (cpu) confirmed.
- FY21 financial accounts will include independent valuations in 2H21 for 58% of total adjusted assets including almond orchards, vineyards, cattle properties, newly-developed macadamia orchards and a cropping property.²

Equity Raising

- Fully underwritten 1-for-8.4 accelerated non-renounceable entitlement offer ("Equity Raising") to raise \$100m at an issue price of \$2.47.
- Proceeds will be used for macadamia orchard developments, potential acquisitions (most likely in the cattle sector), and to purchase Water Entitlements.
- RFM and its Directors will participate in the Equity Raising as described on page 12.

Financial impact and forecasts

- FY22 forecast AFFO of 11.6 cpu; accretion from additional acquisitions and finalisation of macadamia lessee.
- Pro forma gearing of 23.9%³; below RFF's target range of 30–35% and provides pro forma balance sheet capacity of up to approx. \$185m.
- FY22 forecast distributions of 11.73 cpu confirmed; representing a 4% increase on FY21.

Notes:

- The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.
- Independent valuations for 2H21 to be included as part of the FY21 accounts: almond orchards (all), vineyards (all), macadamia orchards (Cygnat, Nursery Farm), cattle properties (Natal aggregation, Cobungra, Mutton Hole and Oakland Park) and cropping property (Lynora Downs).
- Gearing is calculated as external borrowings/adjusted total assets and is a 31 December 2020 pro forma as outlined in Section 3.

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Macadamia development update

Macadamia developments once leased will provide material long term AFFO accretion.



- In FY20 and FY21 RFF acquired \$104m land and water in Rockhampton, Bundaberg and Maryborough for the development of 5,000 ha of macadamia orchards.
 - As these assets currently achieve low rates of return, RFF has reduced its FY22 management fee to zero for this portion of the portfolio.¹
- Planting has commenced at Maryborough and 500 ha will be planted by November 2021.
 - An additional 500 ha to be completed by June 2022.
 - The remaining 4,000 ha will be developed as lessees are identified.
- Lessee update:
 - RFF will lease the macadamia orchards at a time that achieves the best return on investment, whilst balancing the need to generate funds from operations.
 - Leasing the orchards is not a question of "if", but a question of return on capital.
 - RFM is in discussion with several institutional and corporate lessees.
 - Planted orchards are tangible assets and more marketable than green field developments. As the orchards mature, they increase in value and may be leased at higher rates.
- Arrangements in place to generate additional income during development:
 - Cropping from primarily sugar cane production; and
 - Cattle properties are generating agistment income.

Maryborough orchard development



Land preparation and irrigation system installation, central Qld, May 2021.



Macadamia tree planting, central Queensland, June 2021

Note:

- \$104m includes Rockhampton - "Rookwood Farms" properties and Rookwood Weir water deposit (see page 7); Bundaberg - Swan Ridge South, Cygnat and Nursery Farm; and Maryborough - 25 cropping properties and water. Management fees will only be charged when assets generate market rates of income via leasing as cattle, cropping or macadamia orchards.

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Cattle and cropping acquisitions

The Equity Raising provides \$100m of capital for cattle and cropping acquisitions.

- The capital requirements of the development of 1,000 ha macadamia orchards (including Rookwood Weir water settlement)¹ equals \$85m. The Equity Raising net of these commitments provides \$100m of pro forma balance sheet capacity for cattle and cropping acquisitions.
- RFM, in conjunction with several corporate lessees, are seeking to acquire additional cattle properties.
- RFM has identified cropping opportunities with significant development potential.

Macadamia development locations²



Note:

- Includes contracted acquisition of 21,600 ML sourced from the Rookwood Weir. The water is contracted for \$32.4m, payable (less a deposit of 10%) following the completion of several conditions precedent including successful commissioning of the Rookwood Weir Project (anticipated 2023).
- Map includes additional central Queensland RFF assets.

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Replicating proven strategies

RFM has a successful track record of executing productivity and higher and better use development strategies.

Case study: Productivity improvements

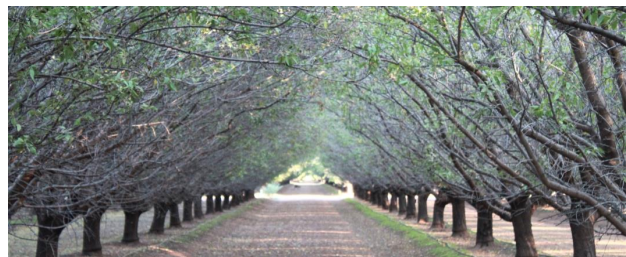
Name and location	Comanche - Glenroy, central Queensland
Description	7,600 ha cattle property
Purchase date and price	July 2018, \$16.7m
Productivity initiatives	Development of water points, irrigation, cultivation area and pasture improvement (total capex of \$3.2m).
Current value and IRR	\$23.4m (December 2020) >15% return since acquisition.
Other properties where strategy being deployed	Cattle: Rewan, Mutton Hole, Oakland Park, Natal Aggregation, Cerberus, Dyamaberin, Woodburn, Cobungra, Petro/High Hill/Willara and Homehill. Cropping: Lynora Downs and Mayneland.



Comanche cattle property, central Queensland, February 2020.

Case study: Higher and better use development

Name and location	Mooral - Hillston, New South Wales
Description	3,841 ha cropping and grazing property
Value at RFF listing	February 2014, \$42m
Higher and better use initiatives	Development of 808 ha almond orchard, additional land used for cropping (total capex, including water acquisitions, approx \$14.3m).
Sale value and IRR	Sold for \$98m (December 2020) >15% return since listing.
Other properties where strategy being deployed	5,000 ha of macadamia orchards to be developed on Maryborough, Bundaberg and Rockhampton properties.



Mooral almond orchard, Riverina, New South Wales, March 2020.

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Water Entitlements acquisition

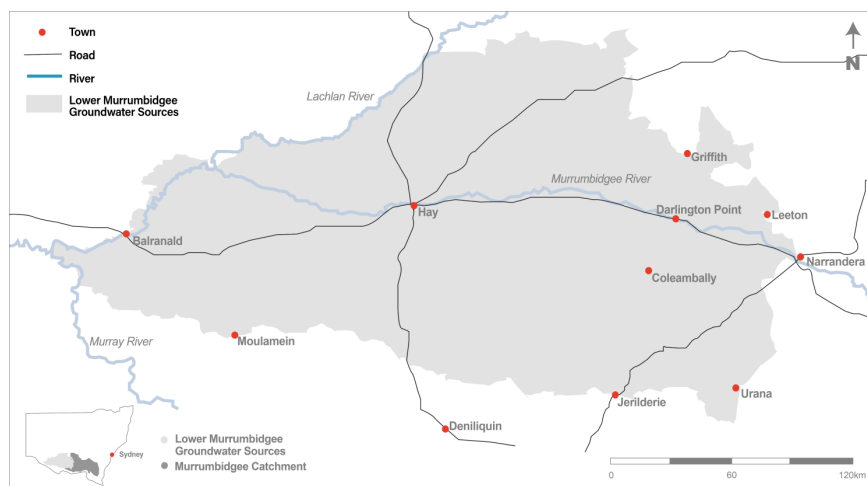
RFM believes demand for secure water in this region will increase over the long term, as permanent plantings such as almond orchards, continue.



Water Entitlements

Asset	• 8,338ML Lower Murrumbidgee Groundwater water entitlements ¹
Lessee	• Large private cropping operator (primarily cotton) based in NSW Riverina.
Purchase price	• \$38.4m including transaction costs
Lease term	• 5 years
Indexation	• 2.0%
Payment	• Annual

Lower Murrumbidgee Groundwater area



Note:
1. The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.

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Financial impact

FY22 AFFO 11.6 cpu. Accretion from additional acquisitions and finalisation of macadamia lessee.



Forecasts and gearing

- FY22 forecast AFFO 11.6 cpu.
 - AFFO accretion to be driven by finalisation of macadamia lessee arrangement and additional acquisitions.
- Pro forma gearing of 23.9%¹ is below RFF's target range of 30–35%.
 - Provides pro forma balance sheet capacity of up to approx. \$185m.
- FY22 forecast distribution of 11.73 cpu confirmed.
 - Reflects 4% growth over FY21 and is in line with annual growth target.

Sources of funds

Sources of funds	\$m
Equity raising	100.0
Total	100.0

Uses of funds

Uses of funds	\$m
Water Entitlement	38.4
Debt reduction	58.6
Transaction costs	3.0
Total	100.0

Note:
1. Gearing is calculated as external borrowings/adjusted total assets and is at 31 December 2020 pro forma adjusted as outlined in Section 3.

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Cattle grazing at Comanche, pivot in background, central Queensland, May 2021.

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Equity raising details

Fully underwritten 1 for 8.4 accelerated non-renounceable entitlement offer to raise \$100m.



Equity raising details

Structure

Pricing

Ranking

RFM and Directors' participation

Retail Offer jurisdictions

Adviser and Underwriters

- Fully underwritten 1 for 8.4 accelerated non-renounceable entitlement offer to raise \$100m.
- Record date for Entitlement Offer is 12 July 2021 at 7.00pm (AEST)
- Entitlement Offer will comprise an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer
- Offer price of \$2.47 per unit, representing:
 - 5.0% discount to the last close price of \$2.60 on 7 July 2021
 - 5.6% discount to the 5-day VWAP to 7 July 2021 of \$2.62
 - 4.5% discount to the theoretical ex-rights price ("TERP") of \$2.59¹
 - Forecast FY22 distribution yield of 4.7%²
- New Units will rank equally with RFF's existing Units and will be entitled to the distribution payable from the quarter ending 30 September 2021.
- RFM and Managing Director David Bryant collectively hold approximately 4.5% of RFF units on issue and have committed to take up a minimum of \$1.5m and may take up more of their entitlement. RFM Chairman Guy Paynter and Director's Michael Carroll and Julian Widdup hold 0.6% of RFF units on issue and have committed to take up their entitlement in full amounting to approximately \$0.6m.
- Registered addresses for retail investors - Australia and New Zealand.
- Highbury Partnership Pty Limited are Advisers to the Equity Raising.
- UBS AG, Australia Branch, Bell Potter Securities Ltd and Wilsons Corporate Finance Ltd are Joint Lead Managers and Underwriters to the Equity Raising.

Notes:

- TERP is calculated with reference to the last close price of \$2.60 on 7 July 2021.
- Based on RFF's FY22 distribution guidance of 11.73 cents per unit.

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Timetable

Retail Entitlement Offer closes 28 July 2021. Participating investors are encouraged to use the BPAY details on their Entitlement Offer and Acceptance Form, or by contacting RFM Investor Services.



Timetable

Event	Date
Trading halt and announcement of the Entitlement Offer	Thursday, 8 July 2021
Institutional Entitlement Offer	Thursday, 8 July 2021
Announcement of results of Institutional Entitlement Offer and trading recommences on an ex-entitlement basis	Friday, 9 July 2021
Entitlement Offer Record Date	7.00 PM, Monday, 12 July 2021
Retail Entitlement Offer Booklet dispatched and Retail Entitlement Offer opens	9.00 AM, Wednesday, 14 July 2021
Early Retail Entitlement Offer acceptances due	5.00 PM, Tuesday, 20 July 2021
Settlement of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Wednesday, 21 July 2021
Allotment and normal trading of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Thursday, 22 July 2021
Retail Entitlement Offer closes	5.00 PM, Wednesday, 28 July 2021
Settlement of new units issued under the Retail Entitlement Offer	Tuesday, 3 August 2021
Announcement of results of Retail Entitlement Offer	Wednesday, 4 August 2021
Allotment of remaining units issued under the Retail Entitlement Offer	Wednesday, 4 August 2021
Normal trading of remaining units issued under the Retail Entitlement Offer	Thursday, 5 August 2021

Note:
1. All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to Australian Eastern Standard Time (AEST). Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, RFF, in consultation with the Underwriters, reserves the right to amend this timetable at any time.

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Conclusion

The Equity Raising provides capital for acquisitions and developments.



✓ AFFO accretion:

- Capital will be applied to acquire assets that will increase AFFO.
- AFFO will increase further when macadamia orchards are leased.

✓ Higher and better use:

- Macadamia developments will convert cattle and sugarcane land to a more intensive farming enterprise. Capital growth and income from these developments will generate higher returns, consistent with past almond developments.

✓ Productivity gains:

- Targeted cattle and cropping acquisitions will have potential for productivity gains consistent with past RFF acquisitions. Capital growth and income from these investments will generate higher returns.

RURAL FUNDS GROUP (ASX: RFF)

- ASX-listed agricultural Real Estate Investment Trust (REIT). Included in the S&P/ASX 300 index.
- Owns a diversified portfolio of agricultural assets leased predominantly to corporate operators.
- Target distribution growth of 4% per annum.
- Income growth achieved through lease indexation, productivity improvements and conversion of assets to higher and better use.
- Managed by a specialist agricultural farm and fund manager with over 24 years experience.

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Appendices

Water storage at Lynora Downs, central Queensland, March 2021.

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Pro forma 31 December 2020 summarised balance sheet



Pro forma gearing of 23.9% following the Equity Raising is below RFF's target range of 30–35% and provides pro forma balance sheet capacity of up to approx. \$185m.

Summarised balance sheet

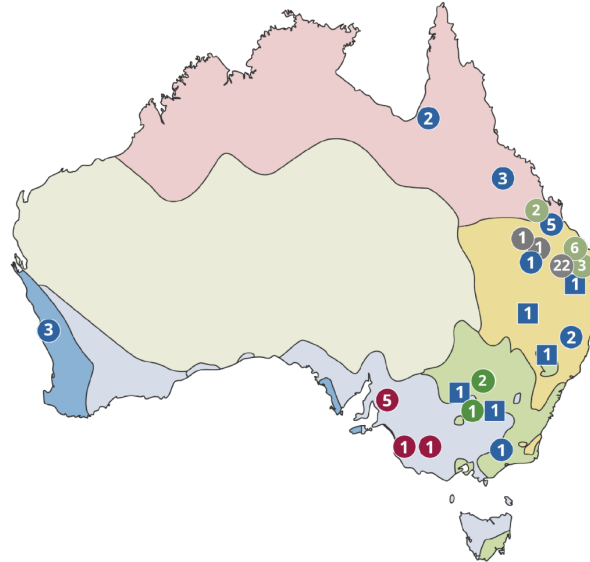
(\$m)	31 December 2020	Acquisition and Equity Raising	Pro forma
Cash	10.9	-	10.9
Adjusted property investments ¹	1,034.1	38.4	1,072.5
Plant and equipment	8.0	-	8.0
Other assets	10.9	-	10.9
Adjusted total assets	1,064.0	38.4	1,102.3
Interest-bearing liabilities:			
- Current	2.6	-	2.6
- Non-current	319.2	(58.6)	260.6
Other liabilities	60.9	-	60.9
Total liabilities	382.8	(58.6)	324.1
Adjusted net assets	681.2	97.0	778.2
Units on issue (m)	338.9	40.5	379.4
Adjusted NAV per unit¹ (\$)	2.01	0.04	2.05
Gearing²	30.2%		23.9%
LVR³	40.3%		34.8%

Note:

- Adjusted for water entitlements held at fair value. Water entitlements held at the lower of cost less accumulated impairment or fair value for statutory reporting purposes.
- Calculated as external borrowings divided by adjusted total assets.
- Calculated as term debt drawn plus limited guarantee of \$99.9m (31 Dec 20: \$82.5m) divided by directly secured assets based on independent valuations plus Water Entitlements.

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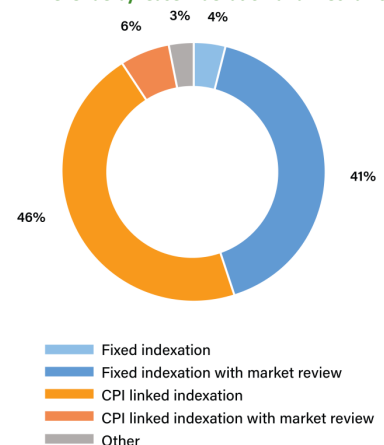
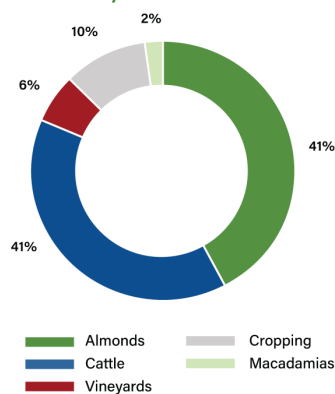
Diversification by climatic zone, sector and lessee.



1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see Climatic Diversification discussion paper, 20 June 2016. Numbers in the circles/boxes on map show number of assets. Blue square boxes denote cattle feedlots. Murrumbidgee HS water entitlement (8,754 ML) with a value of \$65.2m not shown.

2. Cropping value based on pro forma for 31 December 2020 and includes Lower Murrumbidgee Groundwater water entitlements (8,338ML) with a purchase price of \$38.4m.

Assets are leased predominantly to corporate agricultural operators.



1. Figures shown are subject to rounding. Lessees shown by FY22f revenue. Olam refers to Olam Orchards Australia Pty Ltd, a wholly owned subsidiary of SGX-listed Olam International Ltd (SGX: O32). Income from J&F Australia Pty Ltd attributed to JBS Australia. Cotton JV income split 50% RFM and 50% listed and corporate (Queensland Cotton Corporation Pty Ltd). Excludes non-lessee income e.g. annual water allocation sales and properties not leased.

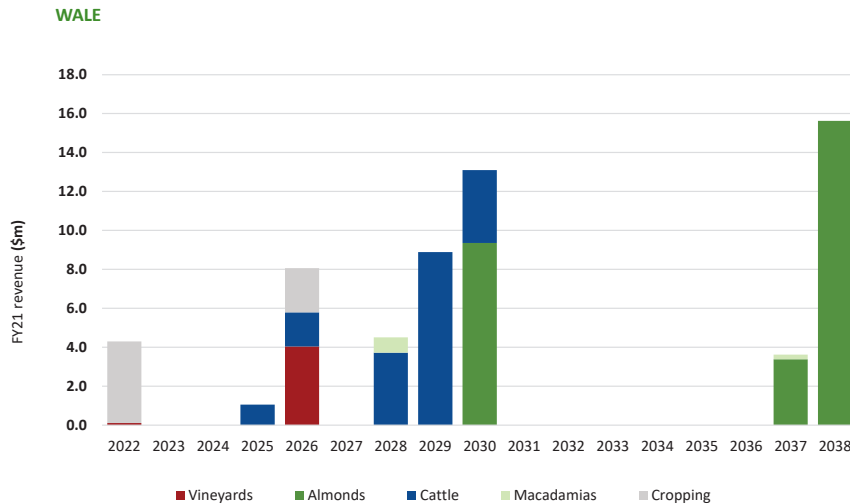
2. Figures shown are subject to rounding. Excludes assets not leased and other income.

3. Figures shown are subject to rounding. 'Other' includes breeder finance lease.

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Weighted average lease expiry

Weighted average lease expiry (WALE) of 9.7 years.



Note:

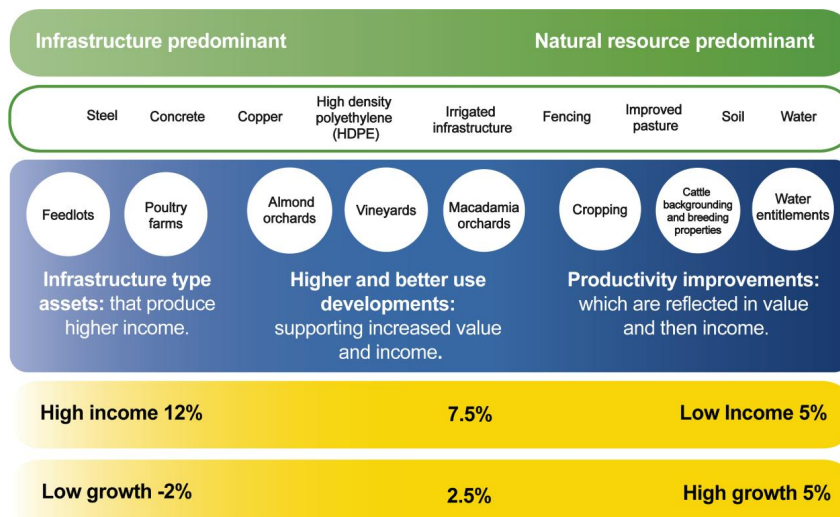
1. Excludes assets not leased and other income. Weighted average lease expiry (WALE) calculated as the FY22 forecast rent and the year of lease expiry.

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Investment strategy

Productivity improvements and higher-and-better-use development strategies aim to increase total returns and AFFO generation.

Spectrum of investment opportunities¹



Note:

1. The income and growth figures presented in the chart above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and historical observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

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Valuations, valuers and lease expiry

Policy to conduct independent valuations at least every two years and rotation of valuers.



Property valuation details¹

	Property by sector	State	Brief description	Acquisition date	Adjusted property value 31 December 2020	Valuation date (reporting date)	Valuation	Valuer
Almonds	Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 105.8m	Jun-2020	\$ 105.0m	JLL
	Tocabi	NSW	603 ha orchard	Oct-2014	\$ 47.2m	Jun-2020	\$ 47.0m	JLL
Cattle	Kerabury	NSW	2,530 ha orchard	Oct-2015	\$ 224.6m	Jun-2020	\$ 223.0m	JLL
	Rewan	QLD	17,479 ha property	Aug-2016	\$ 50.4m	Dec-2020	\$ 50.4m	JLL
	Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 9.4m	Jun-2019	\$ 8.7m	CBRE
	Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 5.9m	Jun-2019	\$ 5.4m	CBRE
	Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 64.7m	Dec-2019	\$ 63.7m	JLL
	Comanche	QLD	7,600 ha property	Jul-2018	\$ 23.4m	Jun-2020	\$ 22.0m	CBRE
	Cerberus	QLD	8,280 ha property	Sep-2018	\$ 13.9m	Jun-2020	\$ 13.8m	CBRE
	Dyamberin	NSW	1,729 ha property	Oct-2018	\$ 13.9m	Jun-2020	\$ 13.9m	Colliers
	Woodburn	NSW	1,063 ha property	Jan-2019	\$ 7.3m	Jun-2020	\$ 7.3m	Colliers
	Cobungra	VIC	6,500 ha property	Mar-2019	\$ 35.3m	Jun-2019	\$ 35.0m	Colliers
	Petro Farm, High Hill & Willara	WA	6,195 ha property	Feb-2020	\$ 21.5m	Jun-2020	\$ 21.5m	JLL
	JBS Caroon, Mungindi, Prime City, Beef City, Riverina	NSW/ QLD	150,000 head feedlots (total)	Oct-2018	\$ 55.4m	N/A	\$ 53.4m	Purchase price (PP)
	Wattlebank	QLD	321 ha property	Jan-2020	\$ 1.9m	Jun-2020	\$ 1.8m	CBRE
	Homehill (inc. additional area acquired Dec-2020, \$4.3m)	QLD	4,925 ha property	Jun-2020	\$ 12.5m	Jun-2020	\$ 12.1m	CBRE + PP
	Yarra	QLD	2,173 ha property	May-2020	\$ 6.2m	Jun-2020	\$ 6.2m	CBRE
Cropping	Lynora Downs	QLD	4,880 ha property	Dec-2016	\$ 36.2m	Jun-2019	\$ 33.1m	CBRE
	Maynelegh	QLD	2,942 ha property	Sep-2018	\$ 19.0m	Jun-2020	\$ 17.5m	JLL
Macadamias	Maryborough (22 properties)	QLD	4,140 ha property	Nov-2020	\$56.4m	Dec-2020	\$56.4m	CBRE
	Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 6.7m	Dec-2019	\$ 6.4m	Colliers
	Moore Park	QLD	104 ha orchard	Mar-2016	\$ 3.9m	Dec-2019	\$ 4.0m	Colliers
	Bonmac	QLD	27 ha orchard	Mar-2016	\$ 2.8m	Dec-2019	\$ 2.9m	Colliers
	Cygnat	QLD	38 ha orchard	Oct-2019	\$ 2.3m	N/A	\$ 1.6m	PP
	Swan Ridge South	QLD	123 ha property	Mar-2020	\$ 1.7m	N/A	\$ 1.6m	PP
	Nursery Farm	QLD	34 ha orchard	May-2020	\$ 4.7m	N/A	\$ 2.2m	PP
	Riverton	QLD	1,015 ha orchard	Nov-2020	\$ 6.5m	N/A	\$ 6.5m	PP
	Stoneleigh	QLD	1,293 ha orchard	Dec-2020	\$ 6.6m	N/A	\$ 6.6m	PP
	Maryborough (3 properties)	QLD	1,118 ha orchard	Nov-2020	\$ 18.5m	Dec-2020	\$ 18.3m	CBRE
Vineyards	Kleing	SA	206 ha vineyard	May-2002	\$ 22.1m	Jun-2019	\$ 22.7m	Colliers
	Geler	SA	243 ha vineyard	Sep-2000	\$ 27.5m	Jun-2019	\$ 28.2m	Colliers
	Dohnt	SA	30 ha vineyard	Sep-2004	\$ 1.0m	Jun-2019	\$ 1.0m	Colliers
	Hahn	SA	50 ha vineyard	Feb-2000	\$ 5.1m	Jun-2019	\$ 4.9m	Colliers
	Mundy and Murphy	SA	55 ha vineyard	Apr-2000	\$ 4.0m	Jun-2019	\$ 3.8m	Colliers
	Rosebank	VIC	82 ha vineyard	Aug-2003	\$ 3.3m	Jun-2019	\$ 3.4m	Colliers
Water	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016	\$ 65.2m	Jun-2020	\$ 65.2m	JLL
Adjusted property assets					\$ 993.1m		\$ 976.4m	

Note:
1. Valuations table as shown in the HY21 financial results presentation. Where no independent valuation has been conducted since acquisition, the purchase price and acquisition date has been listed. JBS Feedlots are not independently valued in financial statements as they are accounted for as a finance lease and are measured at amortised cost. Homehill includes an additional area purchased in December 2020, for \$4.3m. Riverton and Stoneleigh are part of Rookwood Farms (aggregation) shown on page 7.

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Development assets and capital expenditure

Productivity and higher and better use developments underway across most sectors.



Development and capital expenditure summary¹

	Property	Acquisition date	Development type	Initial	Five-year developments	Capital expenditure			
						Actual 1H21	Forecast 2H21f	Forecast FY22f	Total forecast
Cattle	Mutton Hole & Oakland Park, Qld	Jul 2016	Water points	102	21				
			Pasture improvement	20,000 ha	33,333 ha				
	Rewan, Qld	Oct 2019	Water points	82	0				
			Cultivation area	3,432 ha	250 ha				
			Pasture improvement	645 ha	200 ha				
	Natal aggregation, Qld	Dec 2017	Water points	96	50				
	Cerberus, Qld	Sep 2018	Cultivation area	0 ha	600 ha				
			Pasture improvement	0 ha	250 ha				
	Comanche, Qld	Jul 2018	Cultivation area	0 ha	342 ha				
			Irrigated area	0 ha	225 ha				
			Pasture improvement	172 ha	595 ha				
	Dyamberin, NSW	Oct 2018	Grazing area	1,175 ha	Existing area				
	Woodburn, NSW	Jan 2019	Grazing area	802 ha	Existing area				
	Cobungra, Vic	Mar 2019	Grazing area	4,221 ha	Existing area				
Petro, High Hill, and Willara, WA	Feb 2020	Irrigated area	200 ha	Existing area					
		Grazing area	5,402 ha	Existing area					
	Capex					\$4.1m	\$2.8m	\$8.9m	\$15.7m
Cropping	Lynora Downs, Qld	Dec 2016	Water storage	10,405 ML	4,142 ML				
			Irrigated cropping	779 ha	781 ha				
	Maynelegh, Qld	Sep 2018	Water storage	5,700 ML	2,900 ML				
			Irrigated cropping	485 ha	370 ha				
	Capex					\$3.7m	\$2.2m	\$4.7m	\$10.5m
Macadamias	Bundaberg, Qld (CY21)	Various	Orchard planting	0 ha	100 ha				
	Rockhampton, Qld (CY21)	Various	Orchard planting	0 ha	50 ha				
	Maryborough, Qld (CY21)	Nov 2020	Orchard planting	0 ha	350 ha				
	central Queensland (2H22)	Various	Orchard planting	0 ha	500 ha				
	central Queensland (FY23-26)	Various	Orchard planting	0 ha	4,000 ha				
	Capex					\$2.4m	\$12.2m	\$41.9m	\$56.5m
Almonds	Various, NSW	Various	Orchard capex	-	-				
	Capex					\$4.2m	\$1.5m	\$1.9m	\$7.5m

Note:
1. Five-year developments refer to development potential of assets. Pasture improvement includes stylo and leucaena. Cultivation area refers to development of additional areas for forage crops. Grazing area involves improving production of an existing area. Unallocated macadamia development area (4,000 ha) not included in forecast capital expenditure. Forecast capex includes rentable and non-rentable amounts.

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Environment, social and governance (ESG)

Policies and procedures addressing ESG issues.

RFM and Meat & Livestock Australia: reducing emissions on cattle properties

RFM is playing an active role in contributing to improved environmental outcomes within the livestock sector. The Australian red meat and livestock industry is currently responsible for 10% of all of Australia's greenhouse gas (GHG) emissions – 50% less than 2005. While the industry has already halved its GHG emissions, it continues to seek to reduce its environmental impact through a target to be carbon neutral by 2030.

As part of achieving this target, RFM and Meat & Livestock Australia (MLA) worked with Research Scientist, Dr Natalie Doran-Browne to analyse a selection of RFF's cattle properties. The study focused on assessing the *emissions intensity* of livestock production on the properties.

Emissions intensity calculates the GHG emissions generated per unit of farm product. In simple terms, lowering emissions intensity can be achieved by producing more kilograms of beef for the same level of GHG emissions.

The report calculated that, of the RFF properties analysed from 2016-17 to 2018-19, GHG emissions intensity declined by 17% on the New South Wales properties and 43% on the Queensland properties. A reduction of this magnitude is the equivalent of not running about 2,800 average Australian cars for a year.

The report identified productivity improvements such as increased feed quality, as well as improved animal management practices, as contributing factors to the results. As outlined in the preceding article, RFM is enhancing the productivity on RFF cattle properties by improving pastures and developing cultivation areas. These productivity improvements aim to accelerate daily weight gain of cattle, and therefore lower emissions intensity.

RFM and MLA's work will benefit the industry by increasing the awareness of emissions analysis, and by providing a process which can be followed by others in the industry to take steps towards carbon neutrality.

Key risks

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

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

Detailed below are what RFM considers to be material risk factors, however this is not an exhaustive list. Investors should make their own independent assessment of the Offer.

Specific risks

Counterparty

The majority of land and infrastructure assets owned by RFF are leased and as such Unitholders are not directly exposed to material agricultural operational risk. There is a risk that a counterparty 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 a counterparty may require RFF to meet operating obligations until a new lessee is contracted. In the case of a default by a counterparty, the health or quality of RFF's asset may be adversely affected. RFF has several lessees, with the largest lessee (by rental income) being Olam Orchards Australia Pty Ltd, representing 25% of RFF's forecast revenue stream during the 2022 financial year.

Rental risk – macadamia development lessee

RFM, as responsible entity of RFF, is overseeing the development of macadamia orchards in the Bundaberg, Maryborough and Rockhampton regions of Queensland. A delay in contracting a lessee for these developments would result in a delay in the commencement of rent, whilst holding costs would continue to be incurred.

Takeover

RFM, an experienced agricultural manager, is the responsible entity of RFF. Another entity may seek to take over RFF or replace RFM as responsible entity. Any change of responsible entity will require Unitholders' approval of an ordinary resolution at a Unitholder meeting.

Future distributions or reduction in distributions

RFF must meet its operating expenses, capital commitments and debt servicing obligations before distributions can be made to Unitholders. These items are subject to interest rate movements and changes in costs. Consequently, distributions may vary.

Competition

RFM has a significant track record in identifying, acquiring and managing agricultural properties in Australia. A number of competitors exist for potential acquisitions, which could impact upon RFM's ability to execute RFF's business strategy and thus its financial performance.

Acquisition risk

In order to drive future growth of the business of RFF, RFM intends to develop a significant acquisition pipeline. There is no guarantee that RFM will be able to execute any future acquisitions and thereby utilise increased balance sheet capacity.

Business strategy

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. RFF's future growth is dependent on the successful execution of this strategy. Any change or impediment to implementing this strategy including the access to funding may adversely impact RFF's operations and future financial performance.

Asset valuations

The rental yield and profitability of RFF is influenced by the valuations and other industry market indicators of the leased properties, biological assets and water rights. Factors affecting asset valuations include capitalisation and discount rates, the economic growth outlook, and demand for end-market products such as almonds, beef, cotton, macadamias and wine. Such impacts on property valuations may lead to variations in the valuation of RFF and the rental yields RFF is able to achieve.

Insurance

RFF enters into insurance policies on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature, such as those arising from war, terrorism, insects or severe flooding, may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs, or may be subject to large excesses.

Interest rate risk and hedging

RFF holds interest bearing debt and as such it is exposed to movements in interest rates. RFF undertakes interest rate hedging to help protect against changes in interest rates and interest rate swaps are currently used for this purpose. These swaps provide more certainty in a changing interest rate market and will result in a higher or lower interest expense, and cash flow, relative to the floating rate market. Accounting policies require interest rate swaps to be recorded at fair value and this may lead to fluctuations in comprehensive income, however these market adjustments are non-cash and do not impact AFFO.

Gearing and refinancing

RFF maintains target gearing of 30-35%. RFF's current debt facility expires in November 2022 (\$270m) and November 2023 (\$110m). Beyond this, there is a risk that RFF's banks could reduce the gearing limit and/or fees and charges. In these circumstances, where asset values have not increased sufficiently to offset any decrease in gearing limits, RFF may be required to sell assets and reduce or suspend distributions to retire debt.

J&F Guarantee

RFF has provided a \$99.9m limited Guarantee to J&F Australia Pty Ltd (a wholly-owned subsidiary of RFM) (J&F) in order to secure bank funding that will be used by J&F to acquire livestock. The majority of the cattle will be held in RFF owned Feedlots which are managed by the Feedlot lessee, JBS Australia. J&F has secured \$333m of funding from two major Australian banks. The facilities have a current expiry of August 2022, and although it is likely that they will be renewed, there is no guarantee that the funding will be available for the full terms of the cattle agreements (until August 2028). Under the cattle agreements, J&F has the right to terminate those agreements should funding not be available.

JBS has a call option to acquire the Feedlots for the CPI-adjusted purchase price for a number of reasons, including at JBS's discretion for year six to year ten. This will incur a break fee payable to RFF. In this event, RFF has the right to terminate the Guarantee.

For further information on the Guarantee refer to Notice of Meetings and Explanatory Memorandums released in July 2018 and March 2020.

Conflict of interest and related party transactions

RFM is the responsible entity for RFF and for a number of other funds and operates farming businesses in its own right. It is possible that investment opportunities will arise for RFF through RFM's relationship with those other funds. Therefore, from time to time, RFM may face a conflict of interest that arises because of its role as the responsible entity for RFF and its role as the responsible entity for other funds or as a farm manager.

Related party transactions are subject to compliance with the Corporations Act 2001 (Cth), ASX Listing Rules and RFM Conflict of Interest Management Policy.

Key risks (cont.)

Specific risks (cont.)

Inflation

Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests leases allow for annual indexing of 2.5% p.a. with three yearly reviews to market. The StoneAxe, Camm and Treasury Wine Estates leases allow for annual indexing of 2.5% with five yearly reviews to market. The lease to RFM Farming Limited (a wholly-owned subsidiary of RFM) of the Bonmac macadamia orchard allows for annual indexing of 2.5% p.a. with three yearly reviews to market. The CIV leases are subject to CPI and EYCI linked movements and five yearly reviews to market. The AACo lease is subject to CPI and five yearly reviews to market. The leases to Olam, Cotton JV, JBS Australia, and 2007 Macgrove Project are indexed at CPI annually.

Force majeure

The Camm and Treasury Wine Estates leases have no force majeure provisions. The leases to the 2007 Macgrove Project, Select Harvests, RFM (Macadamia lease) and Olam excuse the lessee from the performance of their obligations under the lease following the occurrence of a force majeure event. The remainder of the leases excuse the lessee from the performance of their obligations under the lease, with the exception of payment of rent, following the occurrence of a force majeure event. In addition, the Olam Kerarbury lease has additional force majeure conditions covering the development period. During the development period there is a risk of force majeure events that prevents the development of the almond orchard, such as an extreme climatic event which are beyond the control of either party.

Reliance on RFM's skills

Unitholders have no direct control over the decisions that affect the day-to-day management of RFF. Instead they rely on the skills of RFM and RFM's employees to manage RFF assets. An RFM employee may have a specialist skill set that is used to manage those assets. If that RFM employee resigns, then RFM may not be able to replace that specialist skill set quickly or easily.

Property Market risks

Decline in asset value

RFF owns property including land, water and infrastructure for agricultural production. The value of these assets may rise or fall because of general economic conditions, local and global agricultural conditions, changes in independent valuation methodologies, and changes in discount rates.

Destruction or damage of property

It is possible that the assets owned by RFF could be destroyed or damaged by natural or other events. RFF will maintain appropriate levels of insurance, provided it is economically sensible to do so.

Property illiquidity

The majority of assets owned by RFF are large scale. Given this scale, the number of potential buyers is limited. Therefore, the sale of assets at an appropriate price may take longer to realise.

Reduction in water entitlements

Pursuant to the terms of the Treasury Wine Estates leases, where there is a reduction in water entitlements, RFF is required by the terms of the leases to replace the entitlements from an alternative source. Failure to do so may result in a rent abatement or a right to terminate the lease.

Under the terms of the Select Harvests leases, RFF is not required to replace any reduction in entitlements and there is no rental abatement at the time of the reduction. However the reduction will be taken into account in determining the orchard value at the next review date; and therefore is likely to result in a rental reduction then.

Under the terms of the Kerarbury and Tocabil leases with Olam, any reduction in water entitlements results in a rent abatement. If RFF secures additional water, rent is payable based on the capital cost of the purchase. In the event that a reduction results in less than 8 ML/ha (Kerarbury) and 10 ML/ha (Tocabil) being available and not replaced by RFF within 18 months of the reduction taking effect; Olam have the right to surrender an area in order to bring the entitlement back to 8 ML/ha (Kerarbury) and 10ML/ha (Tocabil). If the remaining area is less than 800 ha for Kerarbury and 350 ha for Tocabil, Olam have the right to terminate the entire lease. There is no such requirement in any of the other existing leases. Annual water allocation risks are on account of the Lessees.

Climate risk and climate change risk

RFF monitors the impact of climate change on RFF's portfolio of assets and has implemented a Climatic Diversification strategy, including acquiring assets across different growing regions and asset classes. RFM has committed to a climatic diversification strategy in order to mitigate these risks. Some of the areas that RFM is focused on is the impact of emissions from Group's assets, including carbon dioxide, methane, and nitrous oxide. The Group's assets produce these emissions through its agricultural infrastructure and machinery, cattle assets and through the application of fertiliser.

As part of RFM's ongoing strategy to mitigate and improve climate related risks, RFM will continue to monitor emissions and seek to implement infrastructure and practice changes. RFM considers that climate change may present risks for the Group primarily in the form of residual risk of the Group's assets at the end of the lease terms. These risks may be mitigated by how the assets are managed. External valuations consider these types of factors as well as other risks when determining the valuations of the assets.

Environmental management

There is a risk that RFF doesn't protect or sustainably manage its natural resources. In aiming to work sustainably, wherever practical RFF will:

- monitor industry developments and adopt farm management practices that incorporate the latest research findings and technologies, to minimise environmental impacts and better utilise the natural resources;
- maximise water use efficiency through the utilisation of modern, well managed irrigation systems;
- ensure water management practices take account of water quality and minimise run-off;
- adopt nutrient management practices which improve long term soil health and ensure that pest and weed management requiring the use of chemicals, occurs in a safe and environmentally responsible manner; and
- ensure that our staff understand and are focused on sustainable farming principles and adhere to environmental legislation and regulations.

General risks

Change in economic conditions

The following economic conditions may impact RFF's financial performance:

- national economic growth;
- industry change;
- interest rates;
- inflation;
- exchange rates; and
- changes to government economic policy.

Change in political and regulatory environment

The following international or domestic political conditions (as well as others that are not listed here) may adversely affect RFF's assets:

- legislative changes;
- regulatory changes;
- taxation changes; and
- foreign policy changes (including the status of trade agreements).

Taxation changes

As a Unitholder, you should be aware that taxation law can change, which may materially impact your taxation position or the value of your investment in RFF. The taxation position of your investment may also be affected by changes to the operations of RFF such as the deferral or acceleration of development activities on individual properties.

Units trading at below net asset value

The buying and selling of Units is conducted on the ASX. The trading price of the Units will be dependent on the financial performance of RFF.

Liquidity

The ability to sell your Units will depend on the availability of buyers. Larger stocks generally have a higher level of liquidity or turnover than smaller stocks.

Underwriting arrangement

UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited will be acting as joint lead managers, bookrunners and underwriters of the Entitlement Offer (Underwriters). RFM has entered into an Underwriting Agreement with the Underwriters in respect of the Entitlement Offer.

The Underwriting Agreement contains representations and warranties and indemnities in favour of the Underwriters. The Underwriters may also, in certain circumstances, terminate their obligations under the Underwriting Agreement if:

- > a certificate which is required to be furnished under the Underwriting Agreement is not furnished by the time required, or is materially untrue, inaccurate, incomplete or misleading and deceptive;
- > RFM is prevented from allotting and issuing the New Units within the time required under the ASX Listing Rules, applicable laws, or by order of a court of Government Agency;
- > RFM fails to lodge the required market announcements by a specified time;
- > the offer documents do not materially comply with the Corporations Act 2001 because they are, or are likely to be, misleading or deceptive (including by omission);
- > RFM withdraws the Entitlement Offer;
- > RFF becomes required to give or gives a correcting notice under subsection 1012DAA(10) of the Corporations Act other than as a result of a new circumstance arising;
- > the S&P/ASX200 Index falls by a specific amount over a specific period of time;
- > an application is made by ASIC for an order under Part 9.5 in relation to the Entitlement Offer or the Entitlement Offer documents or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth), and in each case is not withdrawn within 1 business days after it is made or commenced or within 1 business days of a settlement date for the Entitlement Offer, before that date;
- > there is a application to a government agency for an order, declaration or other remedy, or a government agency commences, or announces its intention to commence, any action in connection with the Entitlement Offer;
- > ASX announces that RFF will be removed from the official list or that any Securities will be delisted or suspended from quotation by ASX;
- > a Director of the Responsible Entity is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
- > any government agency commences any public action against a Director of RFM in their capacity as a Director of the Responsible Entity or announces that it intends to take any such action;
- > RFM or RFF is insolvent or there is an act or omission which may result in such party becoming insolvent;
- > an RFF Unitholder makes an application to the Takeovers Panel in accordance with the Offer and the Takeovers Panel elects to hear the application, and the application is not withdrawn or rejected;
- > unconditional approval (or conditional approval, provided such condition would not have a material adverse effect on the success or settlement of the Entitlement Offer) by the ASX for official quotation of the New Units is refused, or is not granted, or is withdrawn or ASX makes an official statement to any person or indicates to RFF or the Underwriters that official quotation of the New Units will not be granted;
- > RFM ceases to be the responsible entity of RFF;
- > there are certain delays in the timetable for the Entitlement Offer;
- > the acquisition of the first tranche of Water Entitlements ceases to be on foot, or becomes void or voidable, or ceases to be valid and binding on the parties or is (or is capable of being) terminated, rescinded or repudiated or is materially amended (without the prior written consent of the Underwriters) or is breached in any material respect;
- > any information supplied by or on behalf of RFM to the Underwriters is or becomes misleading or deceptive in a material respect, including by way of omission;
- > hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of the United States, Australia, New Zealand, the United Kingdom, France, Germany, Russia, North Korea, South Korea, China, Japan or a member state of the European Union or the declaration by any of these countries of a national emergency or war, or a major terrorist act is perpetrated anywhere in the world;
- > there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, or any Federal or State authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or regulate the Entitlement Offer, capital issues or stock markets or adversely affects RFF or investors in it;
- > a contravention by RFM or a RFF group member of the Corporations Act, any of their respective constitutions, the ASX Listing Rules or any other applicable law;
- > RFM fails to perform or observe any of its obligations under the Underwriting Agreement and such breach is not remedied within the time limits specified;
- > a representation or warranty made or given by RFM under the Underwriting Agreement proves to be, or has been, or becomes, untrue or incorrect;
- > a suspension or material limitation in trading in securities generally or any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, Hong Kong, China, the United Kingdom, the United States, a member state of the European Union, or the international financial markets or any change in national or international political, financial or economic conditions or a general moratorium on commercial banking activities is declared by the relevant central banking authority in any of these countries;
- > an adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, Hong Kong, China, the United Kingdom, the United States, a member state of the European Union or the international financial markets or any change in national or international political, financial or economic conditions;
- > a change in the senior management of RFM or in the board of directors of RFM is announced or occurs;
- > there is an adverse change, or an event occurs which is likely to give rise to an adverse change, in the financial position, results operations or prospects of the RFF Group;
- > in the reasonable opinion of the Underwriters, a new circumstance arises that would have been required to be disclosed in the Entitlement Offer documents had it arisen before the Entitlement Offer documents were lodged with ASX.

If any of the Underwriters terminates its obligations under the Underwriting Agreement, the Underwriter will not be obliged to perform any of their obligations which remain to be performed.

International offer restrictions



This document does not constitute an offer of new units ("New Units") of RFF in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Units may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Units have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Japan

The New Units have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Units may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Units is conditional upon the execution of an agreement to that effect.

RFF has made a notification in compliance with the Investment Trust Law of Japan. Neither the Financial Services Agency of Japan nor the Kanto Local Finance Bureau has passed upon the accuracy or adequacy of this document or otherwise approved or authorised the offering of New Units to investors resident in Japan.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Units are not being offered to the public within New Zealand other than to existing securityholders of RFF with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Units may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. RFF is not authorised or recognised by the MAS and the New Units are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Units may not be circulated or distributed, nor may the New Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore. Any offer is not made to you with a view to the New Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Rural Funds Group | ASX: RFF 26

Rural Funds Group

ASX:
RFF

Managed by:



RFM corporate and operations management (listed alphabetically by surname)



David Bryant
Managing Director
24 years



Dan Edwards
National Manager - Rural
Funds Group
15 years



Mengyi Liu
Group Accountant
8 years



Matt Mitchell
National Manager -
Cropping
18 years



Scott Norval
National Manager -
Macadamias
6 years



James Powell
General Manager - Investor
Relations and Marketing
12 years



Scott Roxburgh
Business Manager
10 years



David Sheridan
National Manager -
Livestock
2 years



Tim Sheridan
Chief Operating Officer
12 years



Kristina Smith
National Manager -
Human Resources
14 years



Emma Spear
National Manager -
Operations and Company
Secretary
12 years



David Thomson
Senior Business Manager
13 years



Daryl Winter
National Manager -
Horticulture
15 years



Peter Wong
Finance Manager
3 years



Daniel Yap
Chief Financial Officer
8 years

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See the RFM website for details on
RFM's roles and responsibilities.

For further information:

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General Manager – Investor Relations
and Marketing
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Follow us:



With thanks to the RFM corporate and farm management staff for their contribution of photos for this presentation.

4. Taxation

4.1 Introduction

The following is a summary of the key Australian taxation issues for Unitholders who are residents for Australian tax purposes and who hold their Units on capital account and are not considered to be carrying on a business of investing, trading or investing their Units for the purpose of profit by sale.

This section has been prepared on the basis of taxation law as at the issue date. As taxation law and the interpretation of it by the Australian Taxation Office and the courts is subject to change, Unitholders should be aware that the taxation consequences of their holding units could change in the future.

Unitholders should be aware that the actual tax implications of investing in Units may differ depending on their individual circumstances and that this section should be used as a guide only.

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

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

4.2 Taxation of New Units

The New Units will rank equally with all other Units in relation to future distributions and will be taxed in the same manner as each Unitholders' Existing Units (as outlined below).

4.3 Holding of Units

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

4.4 Taxation of distributions from Rural Funds Trust

Rural Funds Trust only holds assets that derive rental or other 'passive' income. On the basis that this continues to be the case, Rural Funds Trust should be a 'flow through' fund (rather than a public trading trust) for tax purposes, and so should not be taxed as a company.

Rural Funds Trust has elected to be an Attribution Managed Investment Trust (AMIT). It will not be liable for any income tax, if all of the Unitholders are attributed a share of all of the trust income of the fund on a fair and reasonable basis for each income year. As a result, the net taxable income of Rural Funds Trust will generally be taxed in the hands of Unitholders.

Each year, Unitholders will include in their assessable income, their share of taxable net income earned by Rural Funds Trust that is attributed to the Unitholder on a fair and reasonable basis. This attribution amount should be included in your tax return regardless of whether the income is distributed to you or not, so this includes distributions that are reinvested to subscribe for additional Units and income to which a Unitholder becomes entitled, but has not yet received.

Each year, Unitholders will be provided with an annual member statement indicating the attributed amounts and cash distributions that have been allocated and/or made to them.

The taxation treatment of the various components making up the distribution can differ. For example, distributions from Rural Funds Trust might include capital gains (including gains subject to the general 50% capital gains tax ("CGT") discount), imputation credits or foreign tax credits. Unitholders may benefit from the receipt of discount capital gains, imputation credits and foreign tax credits by way of distribution from Rural Funds Trust, depending on their personal circumstances.

Capital gains attributed to Unitholders by the Rural Funds Trust should be included in the calculation of the Unitholder's net capital gain or loss. Unitholders should then determine whether they are eligible to apply a CGT discount in respect of the attributed capital gains.

Distributions made by Rural Funds Trust may also include non-assessable amounts. If all or part of a distribution by Rural Funds Trust is not subject to tax in the hands of the Unitholder (other than a distribution of the discount component of a capital gain), the Unitholder's CGT cost base in their Rural Funds Trust Units will be reduced for CGT purposes by the amount of the non-assessable component.

The cost base of a Rural Funds Trust Unit will generally include the expenditure incurred to acquire the Unit, such as the issue or purchase price, and any incidental costs of acquisition and disposal.

If a Unitholder's CGT cost base in the Rural Funds Trust Units is reduced to zero, the Unitholder will make a capital gain in respect of any excess non-assessable amounts received from Rural Funds Trust. This will also affect your capital gain or loss on a subsequent disposal of your units.

A Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount to reduce any capital gain in respect of their Rural Funds Trust Units, if those Units have been held for at least 12 months. The CGT discount is applied to reduce the capital gain after applying any available capital losses.

In some instances the Responsible Entity may make a distribution before 30 June. The taxable income will still be calculated for the year to 30 June and attributed to Unitholders on a fair and reasonable basis under the relevant regime.

Where the tax components estimated for the Rural Funds Trust at year end is different to the amount that is finally calculated, the difference is generally carried forward and adjusted in the year in which the variation is discovered.

4.5 Taxation of distributions from RF Active

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

- pays tax at the corporate tax rate on the profit it generates from its operational activities; and
- may, from time to time, make distributions to Unitholders of the profit generated from its trading activities.

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

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

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

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

4.6 Disposal of units

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

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

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

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

Units issued under the Entitlement Offer will be acquired for CGT purposes on the date of the allotment of Units under the Entitlement Offer.

A Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain on disposal of their Units, if those Units were acquired at least 12 months prior. The CGT discount is applied to reduce the capital gain after any available capital losses are applied. A Unitholder that is an individual or the trustee of a trust may reduce the capital gain by 50%. A Unitholder that is a complying superannuation entity may discount the capital gain by 33⅓%. No CGT discount is available to a Unitholder that is a company.

4.7 Tax File Numbers

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

4.8 Goods and Services Tax ("GST")

GST should not be payable on a Unitholder's investment in the Rural Funds Trust. GST will apply to the fees and costs charged to the Rural Funds Trust, however, in respect of some of these fees, it will usually be entitled to reduced input tax credits.

5. Important information for Unitholders

5.1 No product disclosure statement

This Entitlement Offer complies with the requirements of section 1012DAA of the Corporations Act 2001 as modified by Australian Securities and Investments Corporation's ("ASIC") (Non-Traditional Rights Issues) Instrument 2016/84 and any ASIC relief applicable to the Responsible Entity or the Fund. This Retail Offer Booklet is not required to be lodged or registered with ASIC and no product disclosure statement for the Entitlement Offer will be prepared.

5.2 Availability of Retail Offer Booklet

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

Eligible Retail Unitholders with registered addresses in Australia and New Zealand will be emailed a copy of this Retail Offer Booklet and their Entitlement and Acceptance Form if they have elected to receive notices by email, otherwise Eligible Unitholders will be posted a copy. You should ensure that you read the Retail Offer Booklet and the Entitlement and Acceptance Form in their entirety.

The electronic version of this Retail Offer Booklet on the Responsible Entity's website will not include a personalised Entitlement and Acceptance Form. You can obtain a personalised Entitlement and Acceptance Form by calling RFM's Investor Services team on 1800 026 665, or by logging into the InvestorServe portal via the Registry's online system and accessing your individual investment portfolio at <https://www.investorserve.com.au/>. Your personalised Entitlement and Acceptance Form can be located under the Online Statements/Advices tab. You will only be entitled to accept the Retail Entitlement Offer by completing your personalised Entitlement and Acceptance Form that accompanies this Retail Offer Booklet, or by making a payment of Application Monies via BPAY using the information contained on your personalised Entitlement and Acceptance Form (refer to section 2.2 for further information). Please carefully read the instructions on the accompanying Entitlement and Acceptance Form.

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

5.3 Continuous disclosure requirements

The Fund is a disclosing entity under the Corporations Act 2001 and is subject to regular reporting and disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules, including the preparation of annual reports and half-yearly reports.

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

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

5.4 Not investment advice

The Responsible Entity recommends that you consult your professional adviser before deciding to invest. The information provided in this Retail Offer Booklet and the accompanying personalised Entitlement and Acceptance Form does not constitute financial product advice and has been prepared

without taking into account your individual investment objectives, financial circumstances or particular needs. The information should not be considered to comprise all the information which a Unitholder may require in order to determine whether or not to subscribe for New Units.

5.5 Risk factors

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

5.6 Financial information

The summary financials as set out in the Investor Presentation at section 3 of this Retail Offer Booklet have been prepared in abbreviated form in accordance with the recognition and measurement principles of Australian International Financial Reporting Standards ("AIFRS"). However, they do not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act 2001.

The summary financials have not been subject to audit.

5.7 No authorisation

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

5.8 No cooling-off rights

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

5.9 Foreign jurisdictions – restrictions and limitations

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

New Zealand

The New Units are not being offered to the public within New Zealand other than to existing Unitholders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This Retail Offer Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

No offer in other jurisdictions

No action has been taken to register the New Units or otherwise permit an offering of New Units in any jurisdiction outside Australia and New Zealand. This Retail Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this Retail Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer of Units to persons in the United States or to any person acting for the account or benefit of a person in the United States.

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

5.10 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Retail Offer Booklet or any Entitlement and Acceptance Form, or participate in the Retail Entitlement Offer on behalf of any beneficial Unitholder, in any country outside Australia and New Zealand, except to institutional and professional investors in Hong Kong, Singapore and Japan as contemplated in the "International Offer restrictions" section of the Investor Presentation.

The Responsible Entity is not required to determine whether or not any Unitholder is acting as a nominee or custodian, or determine the identity or residence of any beneficial owners of Existing Units or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. See the "International Offer restrictions" section of the Investor Presentation for further information.

5.11 Underwriting arrangements and fees

UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited will act as Joint Lead Managers and Underwriters.

The Responsible Entity has entered into an Underwriting Agreement with the Underwriters in respect of the Entitlement Offer. The Underwriters have underwritten the full amount of the Entitlement Offer on the terms set out in the Underwriting Agreement. Customary with these types of arrangements:

- a. the Underwriting Agreement includes a number of termination events including market related termination events in respect of a 10% or more fall in the S&P/ASX 200 Index;
- b. the Underwriters will receive:
 - i. an underwriting fee of an amount equal to 1.5% (exclusive of GST) of the Offer proceeds to the Underwriters in their Respective Proportions;
 - ii. a management fee of an amount equal to 0.3% (exclusive of GST) of the Offer proceeds to the Underwriters in their Respective Proportions; and
 - iii. a discretionary fee of an amount up to 0.4% (exclusive of GST) of the Offer proceeds for the Entitlement Offer payable to the Underwriters in such proportions as the Responsible Entity determines in its absolute discretion.

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

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

5.12 Indemnities

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

5.13 Consents

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

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

5.14 Directors' intention

The Chairman of the Responsible Entity, Leslie Guy Julian Paynter intends to apply for his full Entitlement.

The Managing Director of the Responsible Entity, David Anthony Bryant intends to apply for the Entitlement in respect of the following Unitholdings:

- David Anthony Bryant as trustee for John Bryant.

Mr Bryant intends to apply for a partial entitlement in respect of the following Unitholdings:

- for Rural Funds Management Limited, a minimum of \$1.25 million;
- for Bryant Family Services Pty Ltd as trustee for BFS Superannuation Fund, \$0.25 million.

Michael Carroll, a Non-Executive Director of the Responsible Entity, intends to apply for his full Entitlement.

Julian James Widdup, a Non-Executive Director of the Responsible Entity, intends to apply for his full Entitlement.

5.15 Privacy

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

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

If you do not provide us with your personal information, we may not be able to process your Application.

In most cases, you can gain access to your personal information held by (or on behalf of) the Responsible Entity or the Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

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

Boardroom Pty Limited

GPO Box 3993
SYDNEY NSW 2001
Phone: 1300 737 760

5.16 Governing law

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

5.17 Eligible Unitholder Declarations

Important

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

- > Agree to be bound by the terms of the Retail Entitlement Offer;
- > Authorise the Responsible Entity to register you as the holder of the New Units allotted to you;
- > Declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- > Declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations;
- > Acknowledge that once the Responsible Entity receives the Entitlement and Acceptance Form or any payment of Applications Monies via BPAY, you may not withdraw it;
- > Agree to apply for the number of New Units specified in the Entitlement and Acceptance Form or for which you have submitted payment of any Application Monies via BPAY at the issue price of \$2.47 per New Unit;
- > Agree to be issued the number of New Units that you apply for;
- > Authorise the Responsible Entity, the Underwriters, the Registry and their respective officers or agents, to do anything on your behalf necessary for the New Units to be issued to you, including to act on instruction of the Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- > Declare that you are the current registered holder of Existing Units and are an Australian or New Zealand resident;
- > Acknowledge that the information contained in this Retail Offer Booklet and the Entitlement and Acceptance Form is not investment advice nor a recommendation that New Units are suitable for you given your investment objectives, financial situation or particular needs and is not a product disclosure statement, does not contain all of the information that you may require in order to assess an investment in the Fund and is given in the context of the Fund's past and ongoing continuous disclosure announcements to the ASX;
- > Represent and warrant that the law of any other place does not prohibit you from being given this Retail Offer Booklet and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Units;
- > Acknowledge the statement of risks in the 'Key risks' section of the Investor Presentation located at section 3 of this Retail Offer Booklet, and that investments in the Fund are subject to investment risk;
- > Acknowledge that neither the Responsible Entity, its directors, officers, employees, agents, consultants, nor advisers, nor the Underwriters, guarantee the performance of the Fund, nor do they guarantee the repayment of capital from the Fund;
- > Represent and warrant (for the benefit of the Responsible Entity, the Underwriters and their respective affiliates) that you are not in the United States and that you are not acting for the account or benefit of a person in the United States;
- > Acknowledge that on the Record Date, you have a registered address in Australia or New Zealand;
- > Acknowledge that the Entitlements and the New Units have not and will not be registered under the US Securities Act or the securities laws of any state or other jurisdictions of the United States, or in any other jurisdiction outside Australia and New Zealand and, accordingly, the Entitlements may not be taken up and the New Units may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of any person in the United States, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- > Agree not to send the Retail Offer Booklet, the Entitlement and Acceptance Form or any other material relating to the Retail Offer to any person in the United States or that is acting for the account or benefit of a person in the United States; and
- > Agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and/or your holding of Units on the Record Date.

Glossary

Term	Definition
A\$	Australian dollars
ABN	Australian Business Number
AEST	Australian Eastern Standard Time
Allotment	The allotment of New Units issued under the Institutional and Retail Entitlement Offer for which valid Applications have been received by the relevant Closing Date
Allotment Date	The date of the Allotment being: <ul style="list-style-type: none"> Thursday, 22 July 2021 for the Institutional and Early Retail Entitlement Offer; and Wednesday, 4 August 2021 for the Retail Entitlement Offer
Applicant	An existing Unitholder who subscribes for New Units under the Retail Entitlement Offer
Application	An application to subscribe for New Units under the Retail Entitlement Offer
Application Monies or Applicable Monies	Monies received from Applicants in respect of their Application
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange
ASX Announcement	The announcement released to ASX on Thursday 8 July 2021 in relation to the Entitlement Offer and included in this Retail Offer Booklet in section 3
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX
BPAY	Refers to BPAY®, a wholly owned subsidiary of Cardlink Services Limited ACN 003 311 644, being a fast, secure and convenient bill payments service offered through over 156 Australian financial institutions
Corporations Act 2001	<i>Corporations Act 2001</i> (Cth)
Early Retail Closing Date	The last date for Eligible Unitholders to lodge an Application for the Early Retail Offer, being 5.00pm (AEST), Tuesday, 20 July 2021
Eligible Institutional Unitholder	Means Institutional Unitholders that RFM and the Underwriters determined in their discretion were eligible to participate in the Institutional Entitlement Offer and successfully received an offer under the Institutional Entitlement Offer.
Eligible Retail Unitholder	A Unitholder on the Record Date who: <ul style="list-style-type: none"> has a registered address in Australia or New Zealand; is not in the United States or acting for the account or benefit of a person in the United States; is not an Institutional Unitholder; and is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer
Eligible Unitholder	An Eligible Institutional Unitholder or an Eligible Retail Unitholder
Entitlement	The entitlement to 1 New Unit for every 8.4 Existing Units held on the Record Date by Eligible Unitholders
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Retail Offer Booklet upon which an Application can be made
Entitlement Offer or Offer	The offer of New Units under the Institutional Entitlement Offer and the Retail Entitlement Offer

Term	Definition
Existing Unit	A Unit on issue on or before the Record Date
Final Allotment Date	Wednesday, 4 August 2021
Final Retail Closing Date	The last date for Eligible Retail Unitholders to lodge an Application for the Retail Entitlement Offer, being 5.00pm (AEST), Wednesday, 28 July 2021
Fund	Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 trading as Rural Funds Group (ASX: RFF)
Indemnified Party	Includes the Underwriters, their related bodies corporate, officers, employees and advisers
Ineligible Unitholder	A Unitholder with a holding on the Record Date, who is neither an Eligible Institutional Unitholder nor an Eligible Retail Unitholder
Institutional Entitlement Offer	The offer of New Units to Eligible Institutional Unitholders
Institutional Investor	A person: <ul style="list-style-type: none"> with a registered address in Australia, who is an “exempt investor” as defined in ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84; or in certain jurisdictions outside Australia, to whom offers for issue of Units may lawfully be made without the need for a lodged product disclosure statement, prospectus or other disclosure document or other lodgement, registration, filing with or approval by a governmental agency (other than one with which the Responsible Entity is willing, in its absolute discretion, to comply)
Institutional Unitholder	A holder of Units on the Record Date who is an Institutional Investor
Investor Presentation	The investor presentation in connection with the Entitlement Offer dated Thursday, 8 July 2021 and included in this Retail Offer Booklet in section 3
Joint Lead Managers and Underwriters	<ul style="list-style-type: none"> UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231087 Bell Potter Securities Limited ABN 25 006 390 772 AFSL No. 243480 Wilsons Corporate Finance Limited ABN 65 057 547 323 AFSL No. 238383
New Units	The Units offered under the Entitlement Offer
Offer Price or Issue Price	The offer price per New Unit, being \$2.47 per New Unit
Privacy Act	Means the <i>Privacy Act 1988</i> (Cth)
Record Date	The time and date for determining which Unitholders are entitled to an Entitlement under the Entitlement Offer, being 7.00pm (AEST) Monday, 12 July 2021
Registry	Boardroom Pty Limited ABN 14 003 209 836
Respective Proportions	Means: <ul style="list-style-type: none"> in the case of UBS AG, Australia Branch one-third Bell Potter Securities Limited one-third Wilsons Corporate Finance Limited one-third
Responsible Entity or RFM	Rural Funds Management Limited ABN 65 077 492 838, as Responsible Entity of the Fund
Retail Entitlement Offer	The offer of New Units to Eligible Retail Unitholders
Retail Entitlement Offer Booklet or Retail Offer Booklet	This booklet dated 9 July 2021, including the Investor Presentation and the ASX Announcement

Term	Definition
Retail Offer Period	The period commencing on the opening date of the Retail Entitlement Offer, as specified in the Key Dates section of this Retail Offer Booklet, and ending on the Final Retail Closing Date (being 9.00am (AEST), Wednesday, 14 July 2021 to 5.00pm (AEST), Wednesday, 28 July 2021)
RF Active or RFA	RF Active ARSN 168 740 805
RFF	Rural Funds Group (ASX:RFF) a stapled entity comprising Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805
Rural Funds Trust or RFT	Rural Funds Trust ARSN 112 951 578
Tax Agent Services Regime	Describes the regime outlined in the Tax Laws Amendment (Tax Agent Services) Bill 2007 and taken up in the <i>Tax Agent Services Act 2009</i> and the <i>Tax Agent Services Regulations 2009</i>
Underwriters	<ul style="list-style-type: none"> ▪ UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231 087 ▪ Bell Potter Securities Limited ABN 25 006 390 772 AFSL No. 243 480 ▪ Wilsons Corporate Finance Limited ABN 65 057 547 323 AFSL No. 238 383
Underwriting Agreement	The Underwriting Agreement dated Thursday, 8 July 2021 between the Responsible Entity and the Underwriters, as described in section 5.11
Unit	A stapled security comprising one fully paid, ordinary Unit in Rural Funds Trust which is stapled to one fully paid, ordinary Unit in RF Active
Unitholder or Member	The registered holder of an Existing Unit
Unitholding	One or more stapled securities or Units
US or United States	United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Person	The meaning given in Rule 902(k) of Regulation S under the US Securities Act 1933, as amended
US Securities Act	The US Securities Act of 1933, as amended

Corporate directory

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

Responsible Entity

Rural Funds Management Limited

ACN 077 492 838

AFSL 226 701

Investor Services 1800 026 665

Adviser Services 1300 880 295

Joint Lead Managers and Underwriters

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Bell Potter Securities Limited

Level 29
101 Collins Street
MELBOURNE VIC 3000

Wilsons Corporate Finance Limited

Level 32, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Registry

Boardroom Pty Limited

Level 12
225 George Street
SYDNEY NSW 2000
Legal Adviser

Legal Adviser

McCullough Robertson Lawyers

Level 32, MLC Centre
19 Martin Place
SYDNEY NSW 2000

Auditor

PricewaterhouseCoopers

One International Towers
Watermans Quay
BARANGAROO NSW 2000

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Rural Funds Management Ltd

ABN 65 077 492 838

AFSL 226 701

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 1800 026 665

 1800 625 518

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