Rural Funds Group | ASX: RFF

Managed by: Rural Funds Management

3 for 10 accelerated pro rata non-renounceable entitlement offer to raise $149.5m

12 July 2018

Not for release or distribution in the United States

Disclaimer

This presentation has been prepared by Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701) ("**RFM**") as the responsible entity of Rural Funds Group ("**RFF**"). RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805). The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this presentation, RFM has not considered the investment objectives, financial circumstances or particular needs of any particular recipients.

This presentation is not, and does not constitute a recommendation to purchase any securities and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This presentation must not be released or distributed in the United States. Please see 'International Offer Restrictions' in Appendix D.

RFM has prepared this presentation based on information available to it at the time of preparation. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this presentation or any other information that RFM otherwise provides. To the maximum extent permitted by law, RFM, their related bodies corporate and their officers, employees and advisers are not liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on this presentation or otherwise in connection with it.

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 which 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 and RFF disclaim any responsibility for the accuracy or completeness of any forward-looking statements.

All dollar values are in Australian dollars unless otherwise stated. The pro forma financial information included in this presentation has been prepared in accordance with Australian market practice and does not purport to be in compliance with Article 11 of Regulation S-X promulgated by the US Securities and Exchange Commission.

Cover image – Riverina Beef Feedlot, Yanco, New South Wales, November 2013

Contents

Managed by: Rural Funds Management

David Bryant
Managing Director

Stuart Waight
Executive

Daniel Yap
Financial Controller

James Powell
General Manager - Investor Relations & Marketing

Managed by:

1 Transactions overview

Country suitable to both backgrounding (foreground of picture) and breeding (background of picture), Comanche, Rockhampton, central Queensland, May 2018

Overview

Managed by: Rural Funds Management

Proceeds from the $149.5m Equity Raising will be used to fully fund two Transactions.

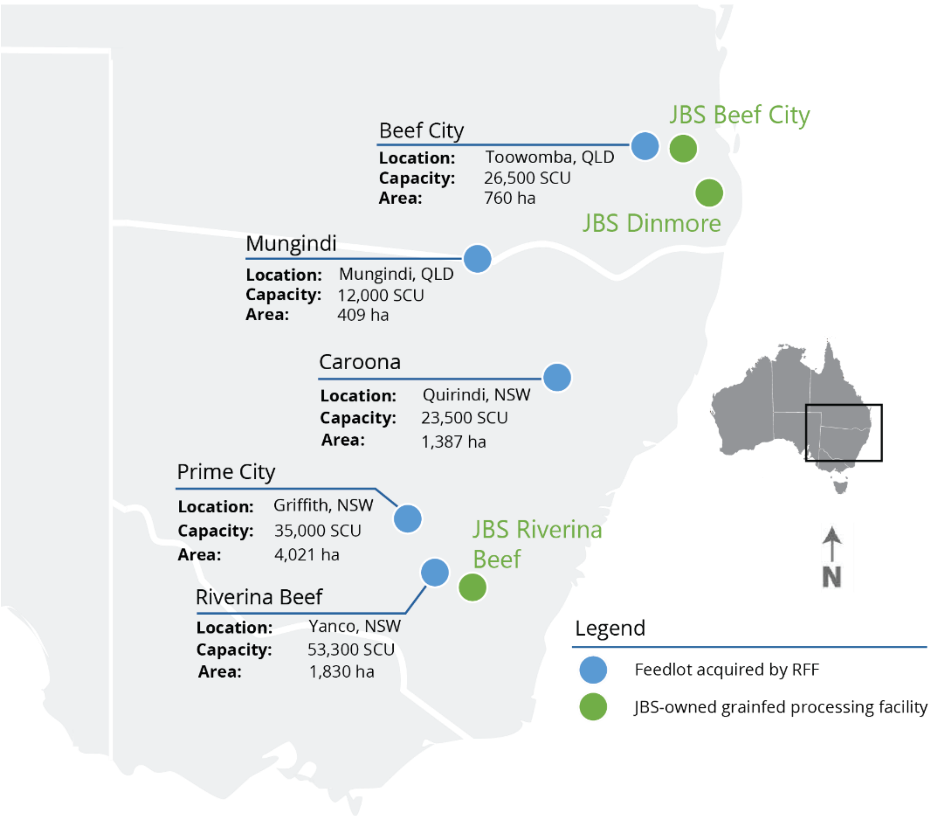
Transactions	• Rural Funds Management ("**RFM**"), as responsible entity of the Rural Funds Group ("**RFF**"), has entered into two "**Transactions**" in the cattle sector: 1. an arrangement ("**JBS Agreements**") with JBS Australia ("**JBS**") which involves: a) the acquisition and subsequent execution of a 10 year finance lease for JBS' five Australian feedlots ("**Feedlots**"); and b) a 10 year limited guarantee ("**Guarantee**") that will enable JBS to replace an existing arrangement for the supply of cattle to the Feedlots and grain fed business. 2. the purchase of a cattle property ("**Comanche**") announced on 17 May 2018.	 Page 6 Page 7 Page 8
Equity Raising	• The Transactions and associated costs will be equity funded via a fully underwritten $149.5m accelerated non-renounceable entitlement offer ("**Equity Raising**"). • Eligible Unitholders will have the opportunity to subscribe for 3 New Units for each 10 existing Units at an issue price of $1.95. • The Guarantee will be provided to an entity to be acquired by RFM. It is therefore considered a transaction with a related party under the ASX Listing Rules and requires Unitholder approval, via a meeting to be held on 10 August 2018. An Independent Expert has concluded the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act. • The Equity Raising will be completed prior to the Unitholder meeting and is not subject to Unitholder approval.	Page 13 Page 14 Page 22
Financial impact	• Accretive to AFFO per unit; FY19 forecast 13.2 cents. • FY19 forecast payout ratio maintained at 79%; distributions per unit ("DPU") of 10.43 cents reaffirmed. • Accretive to pro forma 31 December 2017 adjusted NAV per unit; forecast to be $1.67. • Increased balance sheet capacity; pro forma 31 December 2017 gearing 24.0%.	Page 9 Page 9 Page 9 Page 9

Feedlots

Managed by: Rural Funds Management

JBS is Australia's largest lot feeder and cattle processor. The Feedlots are integral to the supply of cattle to JBS processing facilities.

JBS Feedlots and processing facilities[1]



RFF will enter into a finance lease for JBS five Feedlots[2]:

1. Purchase price of $52.7m.
2. Lease term of 10 years.
3. CPI indexation.
4. Triple net structure.
5. Call option for JBS to buy the Feedlots back, and a put option for RFF to sell the Feedlots to JBS, at year 10.[3] The exercise price is the purchase price indexed at CPI.
6. JBS will continue to operate and manage the Feedlots as usual, whilst freeing up capital to pursue future opportunities.
7. The leases are guaranteed by JBS parent company, Baybrick Pty Ltd[4], which has net assets of $2.3b.
8. The Guarantee provided by RFF will support the acquisition of cattle for the Feedlots. See page 7.

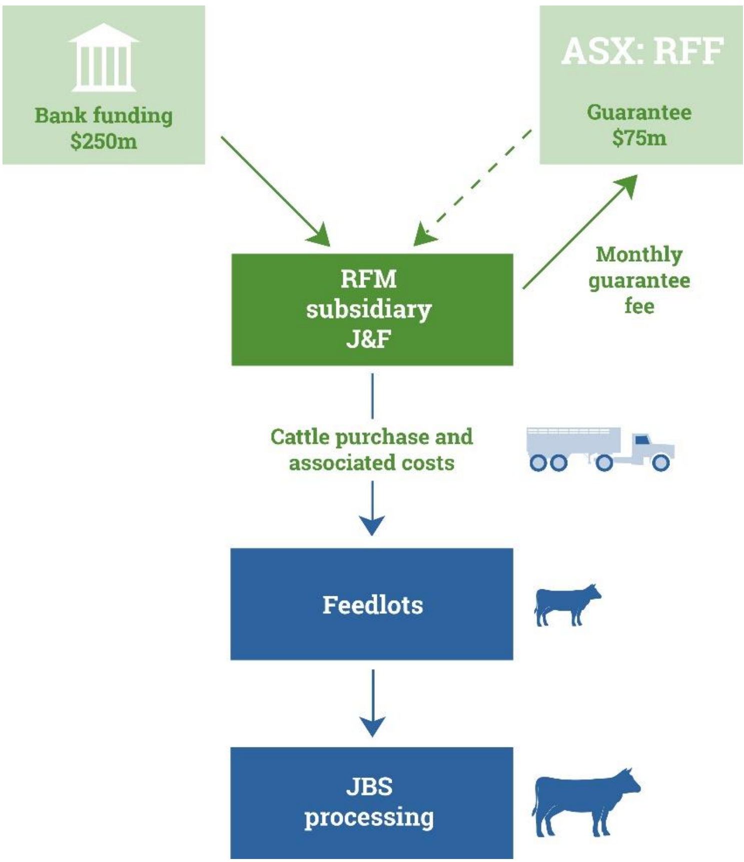
Notes:
1. A Standard Cattle Unit (SCU) is defined as an animal of 600 kg liveweight, at the time of exit from the feedlot.
2. See page 20 for further details of the Feedlots lease, including commencement terms.
3. The call option held by JBS can be exercised from year six but will incur a break fee if exercised before year ten. In the event the Feedlots are called by JBS prior to year 10, RFF has the right to cease the Guarantee. See page 21 for further details.
4. See page 17 for further details of JBS, Baybrick and JBS S.A.

Guarantee to J&F Australia Pty Ltd ("J&F")

Managed by: Rural Funds Management

JBS is seeking to replace an existing supply arrangement of cattle for its Feedlots and processing facilities.

Overview of Guarantee to J&F



RFF will provide a limited Guarantee[1] to an existing entity called J&F which acquires cattle for JBS' Feedlots:

1. RFM will acquire J&F[2] and appoint JBS as exclusive agent and manager.
2. J&F acquires cattle for delivery to the Feedlots leased by JBS. J&F also funds associated costs such as inbound freight and feed.
3. J&F will be financed by $250.0m of bank debt, backed by RFF limited Guarantee of $75.0m and the cattle acquired.
4. RFF will be paid a monthly fee for the Guarantee.
5. The Guarantee has no direct operating risk. Counterpart performance is guaranteed by the JBS parent company Baybrick Pty Ltd and secured through the Feedlots.
6. The Guarantee does not require RFF to transfer cash and will be recognised as a contingent liability. Equity Raising proceeds for the Guarantee will be used to reduce RFF debt and therefore interest expense.

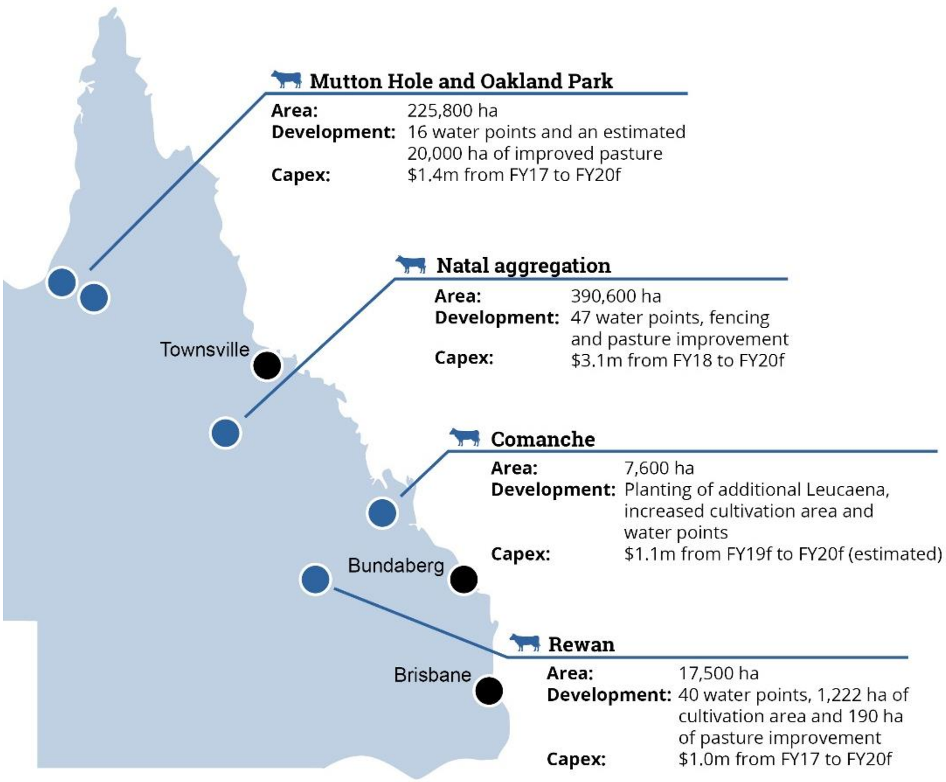
Notes:
1. See page 21 for further details of Guarantee.
2. As J&F will be a wholly owned subsidiary of RFM, and as a related party to RFF, Unitholder approval is required to approve the Guarantee. An Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act. See page 22 for further details.

Comanche

Comanche offers similar opportunities for productivity gains that have been proven on existing RFF cattle properties.

- On 17 May 2018 RFM announced the purchase of Comanche for $16.6m including stamp duty.
- Comanche is a 7,600 ha cattle property located 86 km west of Rockhampton in Queensland. The purchase price includes 864 ML of water entitlements.
- The current carrying capacity is 3,500 Adult Equivalents (AE)[1]. RFM is targeting an additional 650 AE in a stage one development; budgeted at $1.1m, by planting additional Leucaena, increasing cultivation area and developing additional watering points.
- The productivity development strategy is consistent with those proven on existing RFF cattle properties.
- RFM is arranging a lessee and will guarantee the rent for the period from settlement until a lessee is secured. Settlement is expected to occur in July 2018.

Qld cattle property productivity developments



Note:
1. Adult Equivalent. Cattle properties are analysed and valued with reference to AE, much like other farms are analysed on a per hectare basis (an AE is defined as a 450 kg Bos Taurus steer at maintenance).

Financial impact

Managed by: Rural Funds Management

Lower gearing allows RFM to target investments that can improve AFFO growth through market rent reviews.

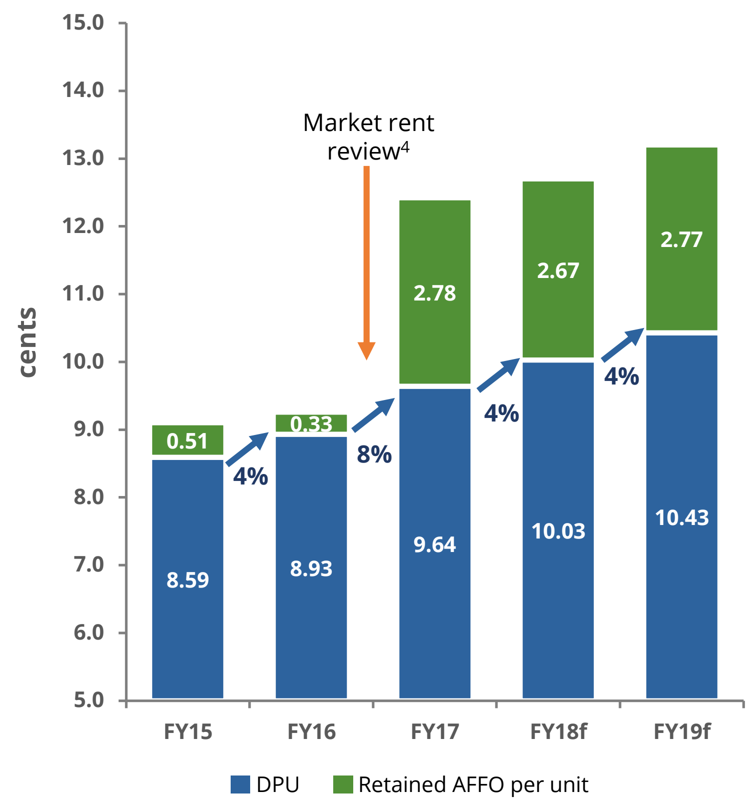
Financial forecasts

	FY18	FY19	Change (%)
AFFO per unit	12.7 cents	13.2 cents[1]	↑ 3.9%
DPU	10.03 cents	10.43 cents	↑ 4.0%
Payout ratio	79%	79%	-
Retained AFFO	$6.8m	$9.0m	↑ 32.4%

Key balance sheet metrics

	31 Dec 2017	Pro forma	Change (%)
Adjusted total assets	$687.4m	$756.7m	↑ 10.1%
Adjusted net assets	$409.0m	$553.3m	↑ 35.3%
Adjusted NAV per unit	$1.60	$1.67	↑ 4.4%
Gearing[2]	37.4%	24.0%	↓ 13.4%
LVR[3]	40.1%	36.1%	↓ 4.0%

DPU, DPU growth and retained AFFO per unit



Notes:

1. AFFO forecast reflects the impact of the issuance of New Units in July and August 2018 but only a partial year impact of the Transactions, reflecting expected settlement dates.
2. Calculated as external borrowings divided by adjusted total assets.
3. Calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of $75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.
4. FY17 AFFO increased, in part, due to a Select Harvests rent review in respect to almond orchards.

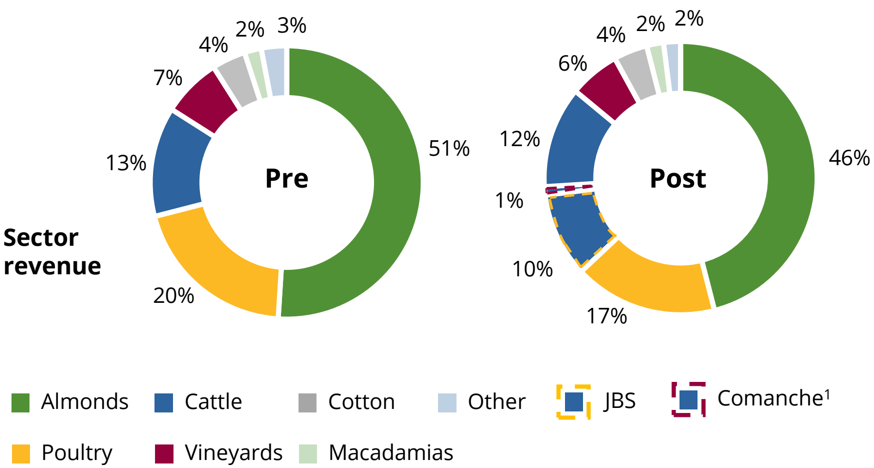
Portfolio impact

Managed by: Rural Funds Management

The Transactions result in increased scale and improved sector diversification.

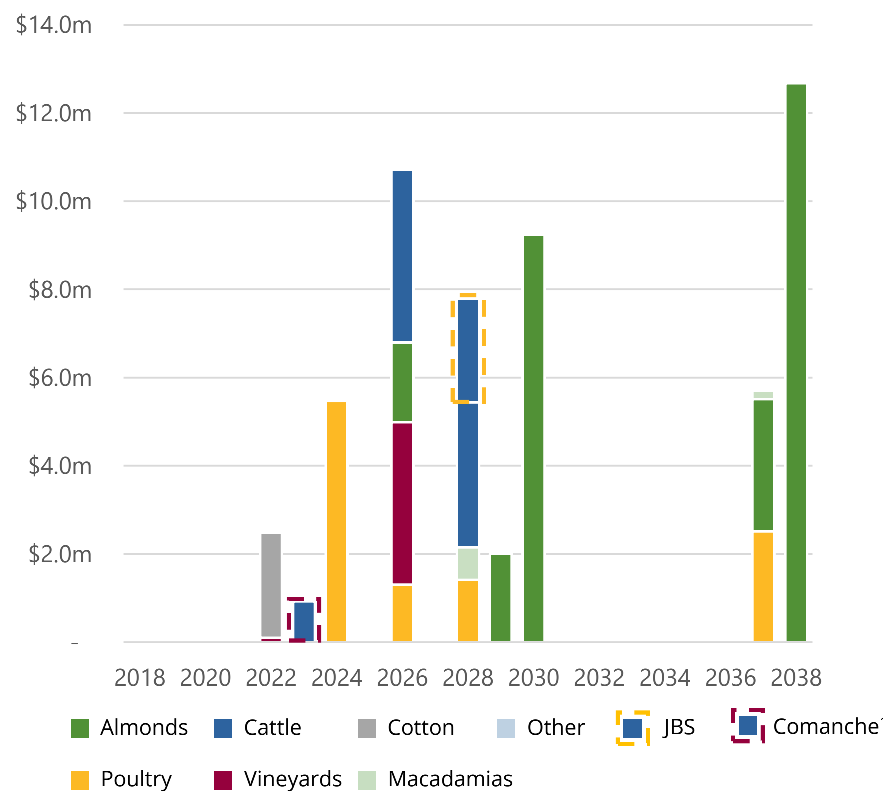
Pre and post-transaction portfolio metrics[1]

Sector revenue



	Pre	Post
Adjusted total assets[2]	$687.4m	$756.7m
Number of properties	38	44
WALE[3]	12.5 yrs	12.6 yrs

WALE expiry profile by lessee[3]



Notes:

1. Pie charts show FY18f vs FY19f diversification by revenue including Comanche where lease terms are to be finalised (assumes 5-year lease and lease rate consistent with cattle sector).
2. Pro forma 31 December 2017 adjusted total assets $756.7m (see page 26 for further details).
3. Weighted average lease expiry (WALE) bar chart shows forecast FY19 revenue in the year in which the lease expires. Forecast revenue includes revenue derived from forecast capex, as well as Comanche where lease terms are to be finalised (assumes 5-year lease and lease rate consistent with cattle sector). The WALE is expressed in years from 31 December 2017. The WALE increase is due to deployment of almond orchard capex on longer term leases within the portfolio.

Key benefits

Managed by: Rural Funds Management

The Transactions are consistent with key acquisition criteria.

Good assets with a good counterpart	• Feedlots are located in grain and cattle growing regions, and are operated by JBS, Australia's largest beef processor. • Comanche offers productivity improvement potential similar to that demonstrated on existing cattle properties.
Consistent with REIT structure	• Feedlots are underpinned by a 10 year[1] triple net lease with CPI indexation. • Guarantee provides a return underpinned by a 10 year agreement with no direct operating risk. • Comanche lease will have similar attributes to existing cattle leases.
Improves sector diversification	• Increases exposure to the cattle sector, a sector in which Australia possesses a comparative advantage and RFM has direct operational knowledge.
AFFO accretive	• Accretive to FY19 AFFO per unit, which is forecast to be 13.2 cents. • Maintains conservative FY19 forecast payout ratio at 79% and increases retained AFFO to $9.0m, which can be re-invested into income generating assets and support RFF's 4% DPU growth target.
Balance sheet capacity for acquisitions	• Reduces pro forma gearing to 24.0%, below RFF's gearing target of 35%. • RFM continues to identify potential acquisitions and the Equity Raising enhances financial capacity to pursue these opportunities, whilst maintaining an appropriate capital structure.

Note:
1. See pages 20 and 21 for further details of Guarantee and Feedlots lease, including commencement terms.

Managed by:
Rural Funds Management

2 Offer details

Mungindi Feedlot feed mill, Mungindi, Queensland, January 2013

Source and uses of funds

Managed by: Rural Funds Management

The Equity Raising will fully fund the Transactions.

Source and uses of funds

Source of funds	$m
Equity Raising	149.5
Total source	**149.5**

Uses of funds	$m
Acquisition of Feedlots (incl. stamp duty)	52.7
Debt reduction associated with Guarantee[1]	75.0
Acquisition of Comanche (incl. stamp duty)	16.6
Transaction costs	5.2
Total uses	**149.5**

- Proceeds from the Equity Raising will be used to fund:
  - acquisition of the Feedlots from JBS for $52.7m (incl. stamp duty);
  - a $75.0m limited Guarantee to J&F which will:
    - be used to reduce term debt;
    - not require a transfer of cash; and
    - be recorded as a contingent liability.
  - the acquisition of Comanche for $16.6m (incl. stamp duty); and
  - transaction costs.
- On completion of the Equity Raising:
  - pro forma gearing will reduce from 37.4% to 24.0%.[2]
  - pro forma LVR will reduce from 40.1% to 36.1%.[3] The $75m guarantee is treated as a liability for the purposes of the LVR calculations.
- RFF's target gearing is 35%.

Notes:
1. Guarantee does not require RFF to transfer cash unless it is called and will be recognised as a contingent liability in the notes to the Financial Statements.
2. Gearing calculated as external borrowings divided by adjusted total assets. Pro forma for 31 December 2017.
3. LVR calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of $75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.

Equity Raising details

Managed by: Rural Funds Management

New Units will be entitled to the 30 September distribution of 2.61 cents per unit.

Structure	• Fully underwritten 3 for 10 accelerated non-renounceable entitlement offer to raise $149.5m.
Pricing	• Offer price of $1.95 per unit, representing: – 5.8% discount to the last close price of $2.07 on 10 July 2018 – 7.0% discount to the 5-day VWAP of $2.10 – 4.5% discount to the theoretical ex-rights price ("TERP") of $2.04[1] – Forecast FY19 distribution yield of 5.3%
Ranking	• New Units will rank equally with RFF's existing Units. • New Units will be entitled to the distribution payable for the quarter ending 30 September 2018, forecast to be 2.61 cents per unit.
RFM and directors' participation	• RFM, together with Chairman Guy Paynter and Director Michael Carroll, hold 3.9% of RFF units on issue and have committed to taking up their entitlement in full amounting to approximately $5.8m. Managing Director David Bryant holds 1.0% of RFF units and will not be taking up his entitlement.
Retail Offer jurisdictions	• Registered addresses for retail investors - Australia and New Zealand.
Underwriters	• UBS AG, Australia Branch, Bell Potter Securities Ltd and Wilsons Corporate Finance Ltd.

Note:
1. TERP is calculated with reference to the last close price of $2.07 on 10 July 2018.

Indicative timetable

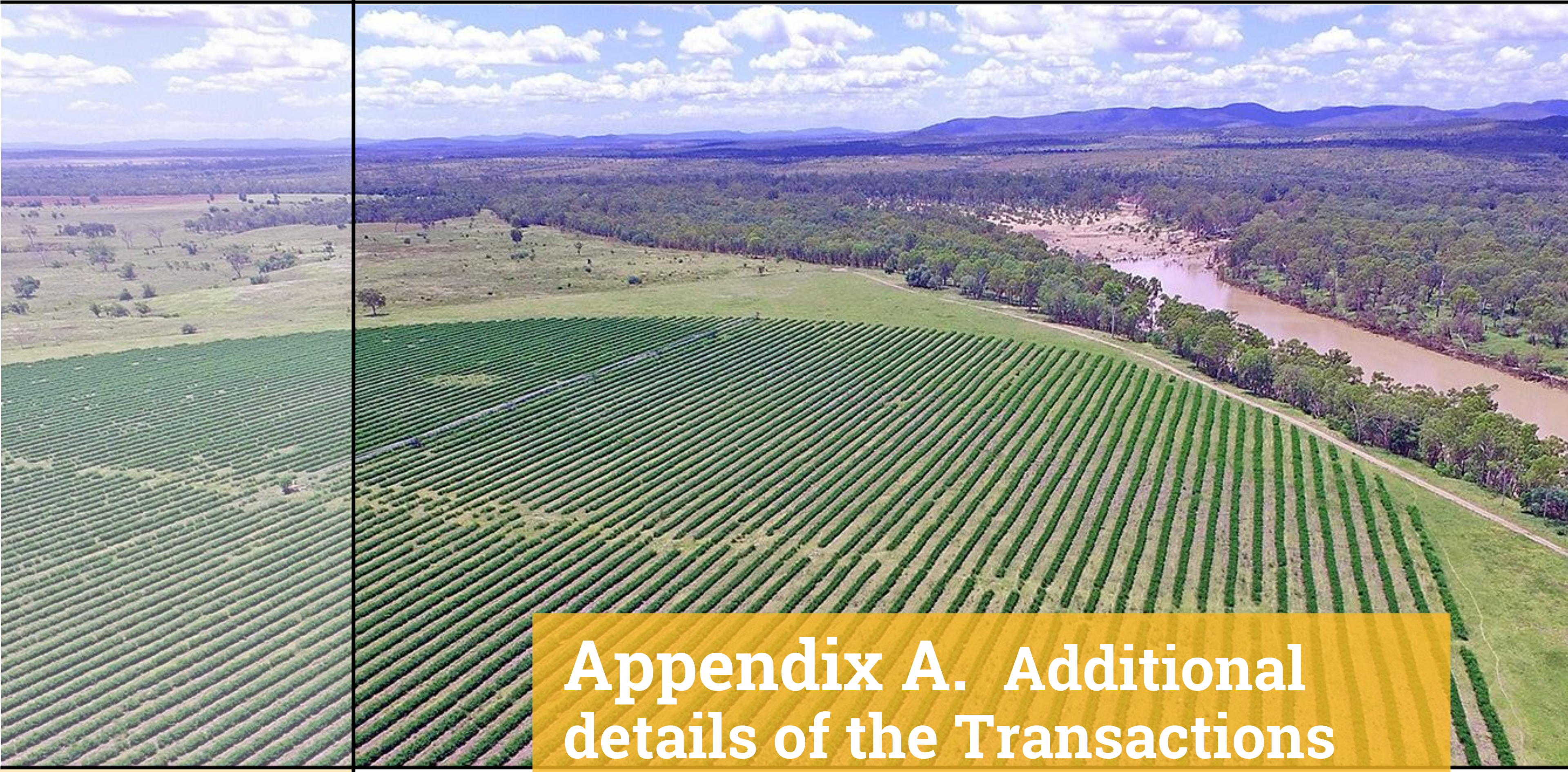
Managed by: Rural Funds Management

Retail Entitlement Offer closes 1 August 2018.

Event	Date (2018)
Institutional Entitlement Offer bookbuild	Thursday, 12 July
Trading of units recommences on ASX on an ex-entitlement basis	Friday, 13 July
Record date for Entitlement Offer	7:00pm, Monday, 16 July
Retail Entitlement Offer Booklet dispatched and Retail Entitlement Offer opens	Wednesday, 18 July
Early Retail Entitlement Offer acceptances due	5:00pm, Tuesday, 24 July
Settlement of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Wednesday, 25 July
Allotment and normal trading of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Thursday, 26 July
Retail Entitlement Offer closes	5:00pm, Wednesday, 1 August
Allotment of remaining units issued under the Retail Entitlement Offer	Wednesday, 8 August
Normal trading of remaining units issued under the Retail Entitlement Offer	Thursday, 9 August
Unitholder general meeting to consider the Guarantee	Friday, 10 August

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEST.

Managed by:
Rural Funds Management



Appendix A. Additional details of the Transactions

Leucaena plantings under centre pivots using irrigation water from Fitzroy River, Comanche, Rockhampton, central Queensland, May 2018

JBS overview of operations

JBS is the largest cattle processor domestically and a subsidiary of JBS S.A., the largest protein processor globally.

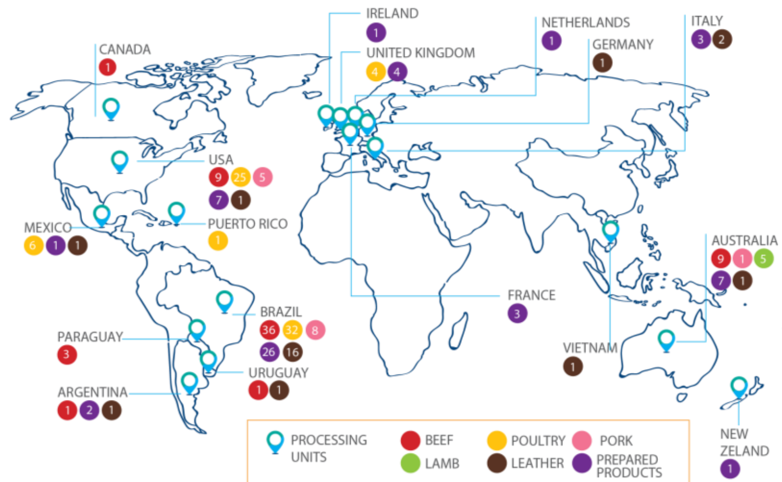
- JBS Australia Pty Ltd, a subsidiary of Baybrick Pty Ltd[2], is Australia's largest meat processor and exporter.
- Baybrick Pty Ltd[2] also owns Primo Smallgoods, Australia's largest manufacturer of ham, bacon, salami and deli meats.
- JBS S.A.:
  - established in 1953 (Brazil) and is listed on the Sao Paulo Stock Exchange with a market capitalisation of approximately R$25.9b (A$8.9b) and FY17 net revenue R$163.2b (A$61.7b)
  - world's largest beef producer, leather processor, chicken producer and second largest pork and lamb producer
  - more than 400 production facilities and 235,000 employees.

Baybrick Pty Ltd – FY17 key details (consolidated)[2]

Revenue	$5.8b
Profit (after income tax expenses)	$75.7m
Gross assets	$2.8b
Net assets	$2.3b
Employees	10,800

Notes:
1. Source: JBS, (2016), *Annual Sustainability Report.*
2. For the 12 months ended 31 December 2017. Baybrick Pty Ltd is a wholly owned subsidiary of JBS S.A.
3. Source: Internal research and Beef Central. Figures are approximate.

JBS S.A. production and sales[1]



Australian feedlot and processing overview[3]

Largest cattle processors	No. of facilities	Capacity (head/day)
1. JBS	8	8,800
2. Teys Australia	6	5,900
3. NH Food Australia	3	4,300
4. Thomas Food Int	1	900
Largest lot feeders	**No. of feedlots**	**Capacity (SCU)**
1. JBS	5	150,000
2. Teys Australia	3	67,000
3. Whyalla	1	56,000
4. Mort & Co.	3	52,000

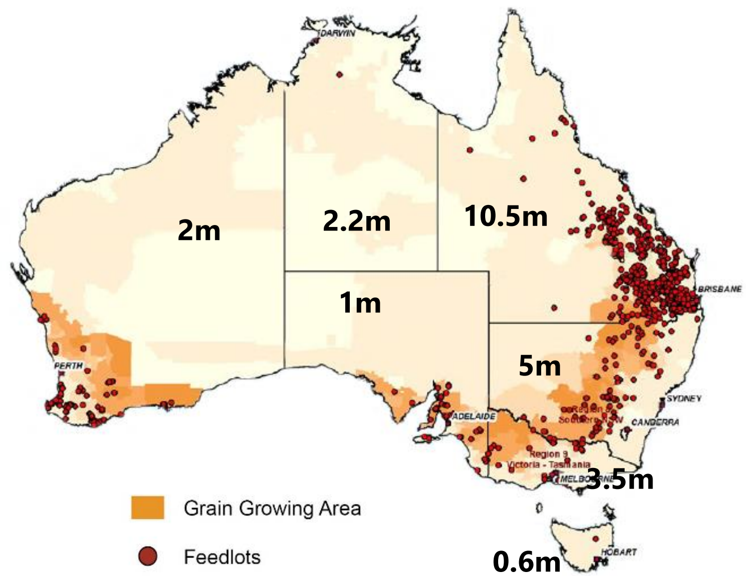
Feedlots and the cattle industry

Managed by: Rural Funds Management

Feedlots are an integral part of the supply chain of Australia's largest agricultural industry.

- A cattle feedlot is a facility where livestock are provided a nutritious diet for the purpose of producing beef of a consistent quality and quantity (called 'finishing').
- Approximately 40% of Australia's total beef supply is finished in feedlots. Cattle are:
    1. acquired by the feedlot operator between 380kg to 500kg.
    2. inducted on arrival, which includes recording the livestock key details (breed, age and weight) and providing any required medicines.
    3. placed in 'yards' which provides continual access to feed and water to promote rapid weight gain (up to 2kg/day).
    4. sold to a processor when they reach approximately 600kg, after an average of 95 days.[1] Cattle for specific programs can be fed for up to 400 days.
- Feedlot economics are improved by being located in areas that are in close proximity to feeder cattle and grain supplies.
- Processors will generally source cattle from a combination of company-owned and external feedlots. Company-owned feedlots reduce freight costs, market price risk and can improve weight gain and performance.
- There are 450 accredited feedlots in Australia with a production value of approximately $2.5b.[2]

Feedlot locations, cattle numbers by state/territory and grain growing regions[2]



Key stages in beef production[3]

150kg cattle **'weaned'** from mother

150-450kg cattle **'backgrounded'** on grass pasture

400-600kg cattle **'finished'** in a feedlot prior to processing

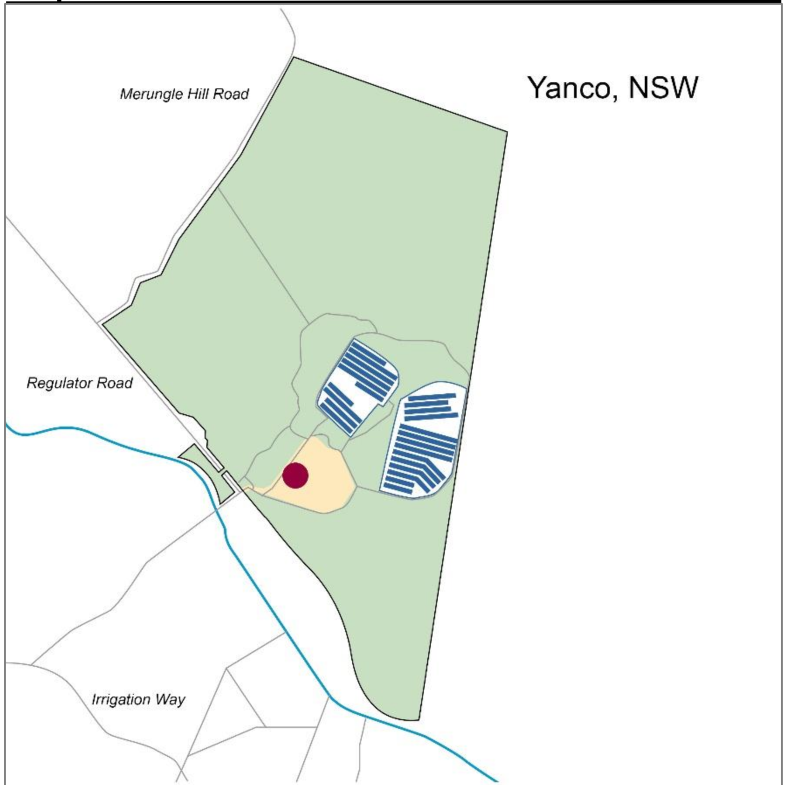
Notes:
1. Source: Australian Lot Feeders' Association.
2. Source: Meat & Livestock Australia.
3. Illustrative purposes only.

Details of Riverina Beef and Beef City Feedlots

Managed by: Rural Funds Management

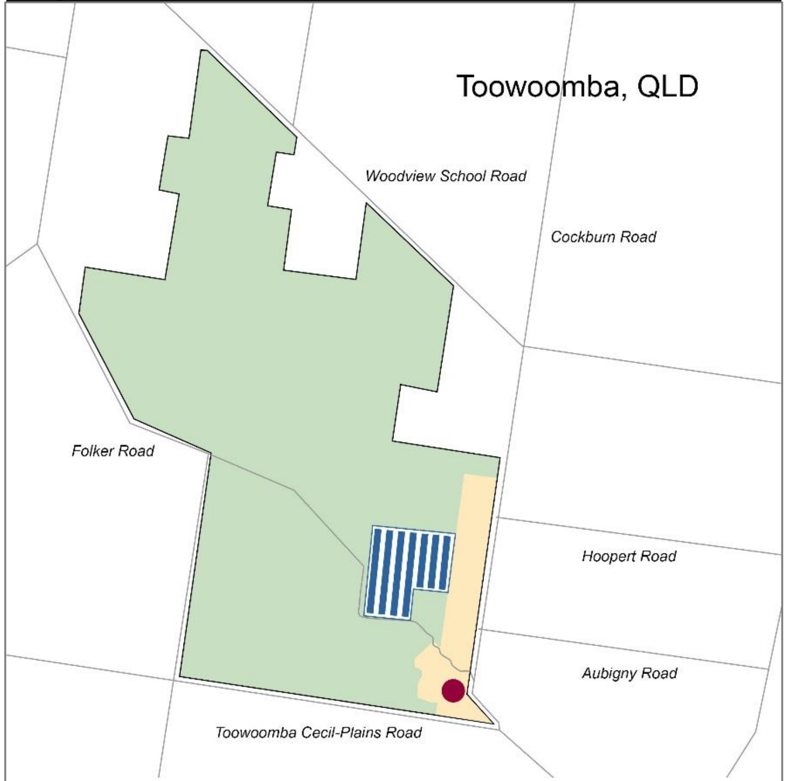
Australia's only two integrated feedlot and processing facilities reduce freight costs and market price risk, and can improve weight gain performance.

Riverina Beef[1]



Property and cultivation area	1,831 ha developed to irrigation, dryland cropping and grazing land
Feedlots	53,300 SCU feedlot, 72 holding pens
JBS processing facility	600 cattle per day processing facility
Processing facility associated land	Not being acquired by RFF

Beef City[1]



Property and cultivation area	761 ha developed to irrigation, dryland cropping and grazing land
Feedlots	26,500 SCU feedlot, 87 holding pens
JBS processing facility	1,092 cattle per day processing facility
Processing facility associated land	Not being acquired by RFF

Note:
1. Processing facilities are not being acquired by RFF.

Details of the Feedlots

Managed by: Rural Funds Management

The Feedlots are leased on a triple net basis and are indexed at CPI.

Key property and lease terms

Description	• Five feedlots with water entitlements, and adjacent cropping land for a purchase price of $52.7m including stamp duty.
Return	• Lease payment from JBS Australia Pty Limited (lessee).
Guarantee	• Provided by Baybrick Pty Ltd a subsidiary of JBS S.A.
Term	• The Feedlot leases are for a term of 10 years from the commencement of the Guarantee. Feedlot acquisitions are subject to FIRB and other approvals, including two subdivisions, resulting in a lease term of slightly less than 10 years.
Rent indexation	• CPI.
Payment	• Monthly in advance.
Lease structure	• Triple net leases.
Capital expenditure	• Lessee responsible for all maintenance capital expenditure required to maintain the same capacity, productivity and functionality of the Feedlots. At JBS' request, RFF may fund capital expenditure to increase the capacity, productivity and functionality of the Feedlots, which will attract additional rent.
Security deposit	• Six months rent payable on commencement.

Put and call option	• JBS has a call option to acquire the Feedlots for the CPI-adjusted purchase price, inclusive of stamp duty and capex, if:
	  • J&F breaches certain commercial terms;
	  • RFF wishes to dispose of the Feedlots;
	  • a JBS competitor acquires more than 50% of RFF units on issue;
	  • a change of control of RFM;
	  • RFF makes a warranty claim of more than $1m; and
	  • at JBS' discretion, from year six to year ten. This will incur a break fee payable to RFF, calculated as $2m in year six (assuming all fives Feedlots are called), reducing proportionally each year to nil at the end of year ten. In this event RFF has the right to terminate the Guarantee.
	• If JBS does not exercise the call option in year 10 RFF can:
	  • retain the Feedlots. In this event RFF can exercise a call option to acquire an additional 11,775 ML of water entitlements for the cropping operation associated with the Feedlots;
	  • put the Feedlots to JBS for the CPI-adjusted purchase price, inclusive of stamp duty and capex; or
	  • negotiate to extend the existing agreements for an additional term.

Settlement	• Settlement of the Feedlots will be staged and is expected to occur from October 2018, conditional upon RFF Unitholder approval of the Guarantee, FIRB and other Government approvals (for example subdivisions). If any of the feedlots do not settle RFF will obtain a mortgage over the relevant feedlot. This will not impact the provision of the Guarantee to J&F.
Management fee	• 1.05% management fee (exclusive of GST), calculated on the asset value, paid by RFF to RFM.

Details of the Guarantee and J&F

Managed by: Rural Funds Management

The Guarantee is for a 10 year term and will earn a return without any direct operating risk.

Key terms of the Guarantee and J&F

Description	• A $75m limited guarantee ("Guarantee") is provided by RFF to a special purpose vehicle called J&F Australia Pty Ltd (J&F). The Guarantee will: • earn a monthly income return, based on a costs plus arrangement, net of RFF's interest savings (see point below); • not require a transfer of cash, and will be used to reduce RFF's debt, in turn reducing RFF's interest costs; • be recorded as a contingent liability within RFF; and • be used as security for $75m of J&F's debt facility for cattle purchases, feed and other costs associated with finishing the cattle on the Feedlots. Any changes in interest costs are borne by JBS. • JBS will retain responsibility for the management of the Feedlots and J&F has appointed JBS as its exclusive agent and manager. • The bank loans totalling $250m (or above that amount at RFM's discretion) are supported by the Guarantee and the cattle. In the event of a JBS default: 1. the Guarantee would be called but limited to $75m; 2. J&F would cease buying cattle, and commence selling cattle in the Feedlots; 3. as cattle are sold, J&F bank loans would be repaid. Given that lot-fed cattle can gain 2kg per day, and are sold on a per kg basis, a material fall in cattle price would be required to crystallise a shortfall; and 4. surplus proceeds will be paid to RFF, limited to $75m.
Return	• The Guarantee will earn a return on equity calculated on $75m. The return on equity rate will flex between an agreed range, depending on the level of debt drawn within J&F. The minimum Guarantee return on equity rate is calculated on drawn debt of $216m and the maximum calculated on drawn debt of $250m. • The return rate is in the range of 9.40% to 11.18%, subject to various adjustments and inclusive of interest rate offset savings in RFF.
Guarantee	• Baybrick Pty Ltd, a subsidiary of JBS S.A., guarantees the obligations of JBS.
Term	• 10 years
Cattle ownership	• Cattle are owned by J&F and act as security until they are acquired by JBS once they have achieved desired weight, typically after 100-140 days.
Mortalities	• J&F is responsible for mortality of cattle above a certain threshold. RFM intends to arrange insurance for mortality above this threshold.
Operating risk	• RFF and J&F will not be exposed to operating risks of the Feedlots given the nature of the agreements with JBS. • JBS is responsible for cattle and feedlot management under a Cattle Agency Agreement and Cattle Management Agreement.
Management fee and cost recovery	• 1.05% p.a. management fee (exclusive of GST), calculated on the $75m Guarantee, plus cost recovery, paid monthly by J&F to RFM. RFM will not charge any additional management fee within RFF and there is no management fee charged on the $250m loan facilities.
Termination	• Bank withdraws the J&F bank loan. • JBS exercises the call option over the Feedlots from year 6 (at RFM's option). • Default of agreement between J&F and JBS.
Commencement	• Commencement of the Guarantee expected in August 2018, subject to RFF Unitholder approval.

Unitholder approval of Guarantee

Managed by: Rural Funds Management

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

- J&F will be acquired and operated by RFM rather than RFF:
  - this allows the separation of operating risks and responsibilities, and ensures RFF remains a Real Estate Investment Trust (REIT) for accounting purposes, and in substance.
  - this structure does not increase management fees paid to RFM. A 1.05% p.a. management fee (exclusive of GST), calculated on the $75m Guarantee, plus cost recovery, is paid monthly by J&F to RFM. There is no management fee charged on the $250m loan facilities and RFM will not charge any additional management fee within RFF.
- As J&F will be owned by RFM, the Guarantee is considered a transaction with a related party under the ASX Listing Rules and requires RFF Unitholder approval:
  - via an ordinary resolution (50% threshold) at a meeting scheduled for 10 August 2018.
  - an Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.
- RFF Unitholder approval is not required for the Equity Raising or the purchase of the Feedlots, however the purchase of the Feedlots will not proceed unless RFF Unitholders approve the Guarantee:
  - in the event the Guarantee is not approved, and thus J&F and the Feedlots are not acquired, RFF will use the Equity Raising to repay debt which will be deployed for capital expenditure and other acquisitions.
  - key financial metrics in this scenario are:
    - forecast FY19 AFFO 11.3 cpu;
    - forecast FY19 DPU maintained at 10.43 cpu; and
    - pro forma gearing to reduce to 18.3%.

Managed by:
Rural Funds Management

Appendix B. Portfolio and strategy

'Long-fed' Angus cattle in a JBS feedlot, November 2013

Portfolio assets and lessees[1,2]

Managed by: Rural Funds Management

The RFF portfolio includes 44 properties across six sectors.

Cattle[3]

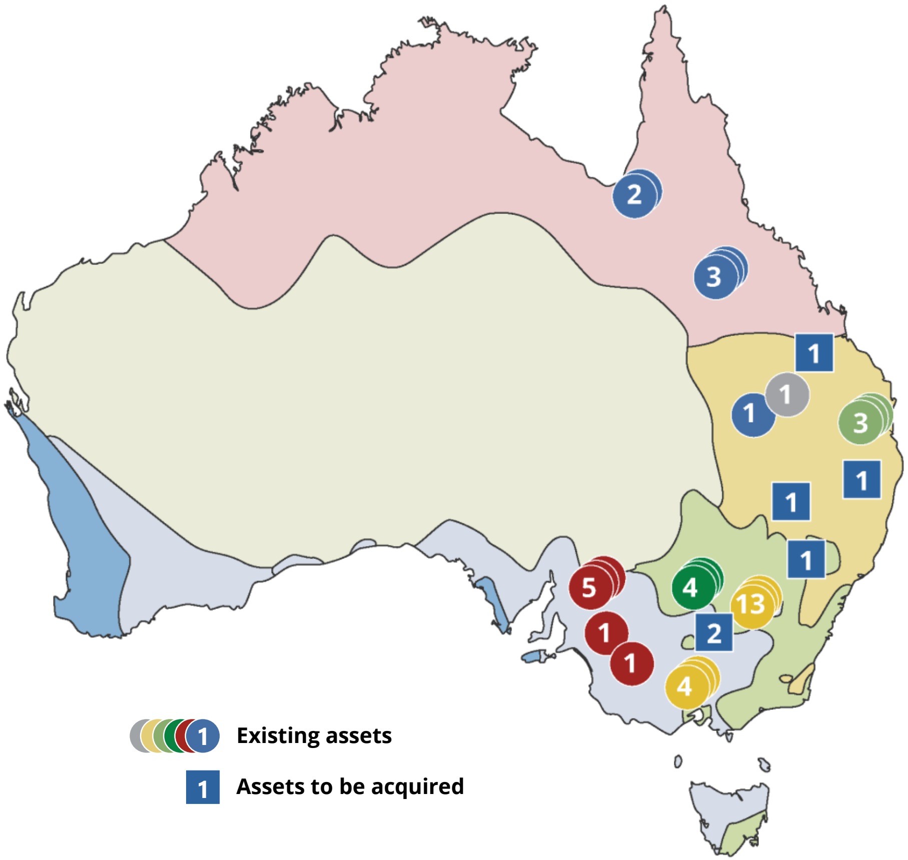
Properties:	12
Value:	$196.5m
Lessees:	Cattle JV, Camm, JBS & Comanche
FY19 f'cast rent:	$15.3m

Vineyards

Properties:	7
Value:	$47.7m
Lessee:	TWE
FY19 f'cast rent:	$3.8m

Poultry

Properties:	17 farms (154 sheds)
Value:	$84.2m
Lessee:	RFM Poultry
FY19 f'cast rent:	$10.7m



Cotton

Properties:	1
Value:	$30.1m
Lessee:	Cotton JV
FY19 f'cast rent:	$2.4m

Macadamias

Properties:	3
Value:	$10.1m
Lessee:	2007 Macgrove Project & RFM
FY19 f'cast rent:	$1.3m

Almonds

Properties:	4
Value:	$337.9m
Lessees:	SHV, Olam, RFM Almond Schemes & RFM
FY19 f'cast rent:	$29.5m

Notes:
1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology. Climatic diversification reduces lessee concentration in any one climatic zone and introduces new commodities and counterparts. See RFF Climatic Diversification discussion paper, 20 June 2016.
2. Murrumbidgee High Security (HS) water entitlement valued at $35.8m not shown in above map. FY19 forecast revenue $1.3m.
3. Includes Comanche (where lease terms are to be finalised, assumes 5 year lease and lease rate consistent with cattle sector) and JBS. The value is based on pro forma for 31 December 2017 and includes properties, Cattle JV breeder herd lease, Camm loan, JBS Feedlots, $75m guarantee and plant and equipment leased on cattle properties.

Development and capital expenditure update

Managed by: Rural Funds Management

RFF's development and capital expenditure commitments are fully funded from retained AFFO and gearing capacity.

	FY18f ($m)	FY19f ($m)	FY20f ($m)	Total ($m)	Development update	Lease term remaining & indexation
Kerarbury (almonds)	36.4	17.3	18.3[1]	72.0	2,500 ha land and irrigation development complete. 300 ha of trees to be planted 2018, remaining capital expenditure for establishment costs and water	20 yrs; CPI
Tocabil (almonds)	3.5	3.7	-	7.1	Remaining capital expenditure for infrastructure and water	19 yrs; CPI
Yilgah & Mooral (almonds)	1.0	3.0	-	3.9	Irrigation	8-12 yrs; fixed (2.5%) + rent review (Select Harvests Ltd lease)
Gulf properties & Rewan (cattle)	1.0	0.9	-	1.9	Additional 34 water points, 554 ha cultivation area and 190 ha improved pasture	8 yrs; CPI + rent review
Natal aggregation (cattle)	0.4	1.9	0.4	2.7	Additional 47 water points and fencing	10 yrs; fixed (2.5%) + rent review
Comanche (cattle)[2]	-	0.8	0.3	1.1	Additional water points, cultivation area and improved pasture	TBA
Lynora Downs (cotton)	2.4	3.1	-	5.5	4,142 ML water storage cell completed, ongoing 400 ha expansion of irrigated cotton area	4 yrs; CPI
Kleinig, Murphy and Mundy (vineyards)	1.1	0.2	-	1.3	Grafting and redevelopment	8 yrs; fixed (2.5%) + rent review
Moore Park, Bonmac (macadamias)	0.3	0.3	-	0.6	Irrigation	10 yrs; CPI/fixed component + rent review (RFM lease)
Total ($m)	**46.1**	**31.2**	**19.0**	**96.2**		

Notes:
1. $18.3m represents water acquisitions. This commitment may be met by utilising the Murrumbidgee HS water which is currently not leased.
2. Comanche lease and capex details are yet to be finalised.

Pro forma 31 December 2017 summarised balance sheet

Managed by: Rural Funds Management

Net assets will increase to $553m and gearing will decrease to 24% as the Guarantee will not require a transfer of cash unless triggered.

($m)	31 December 2017	Transactions and Equity Raising[2]	Pro forma
Cash	2.6	-	2.6
Property investments[1]	670.5	69.3	739.8
Other assets	14.3	-	14.3
Adjusted total assets	**687.4**	**69.3**	**756.7**
Interest bearing liabilities	256.8	(75.0)[2]	181.8
Other liabilities	21.6	-	21.6
Total liabilities	**278.4**	**(75.0)**	**203.4**
Adjusted net assets	**409.0**	**144.3**	**553.3**
Units on issue (m)	255.0	76.7	331.7
Adjusted NAV per unit ($)[1]	**1.60**	**-**	**1.67**
Gearing[3]	**37.4%**		**24.0%**
LVR[4]	**40.1%**		**36.1%**

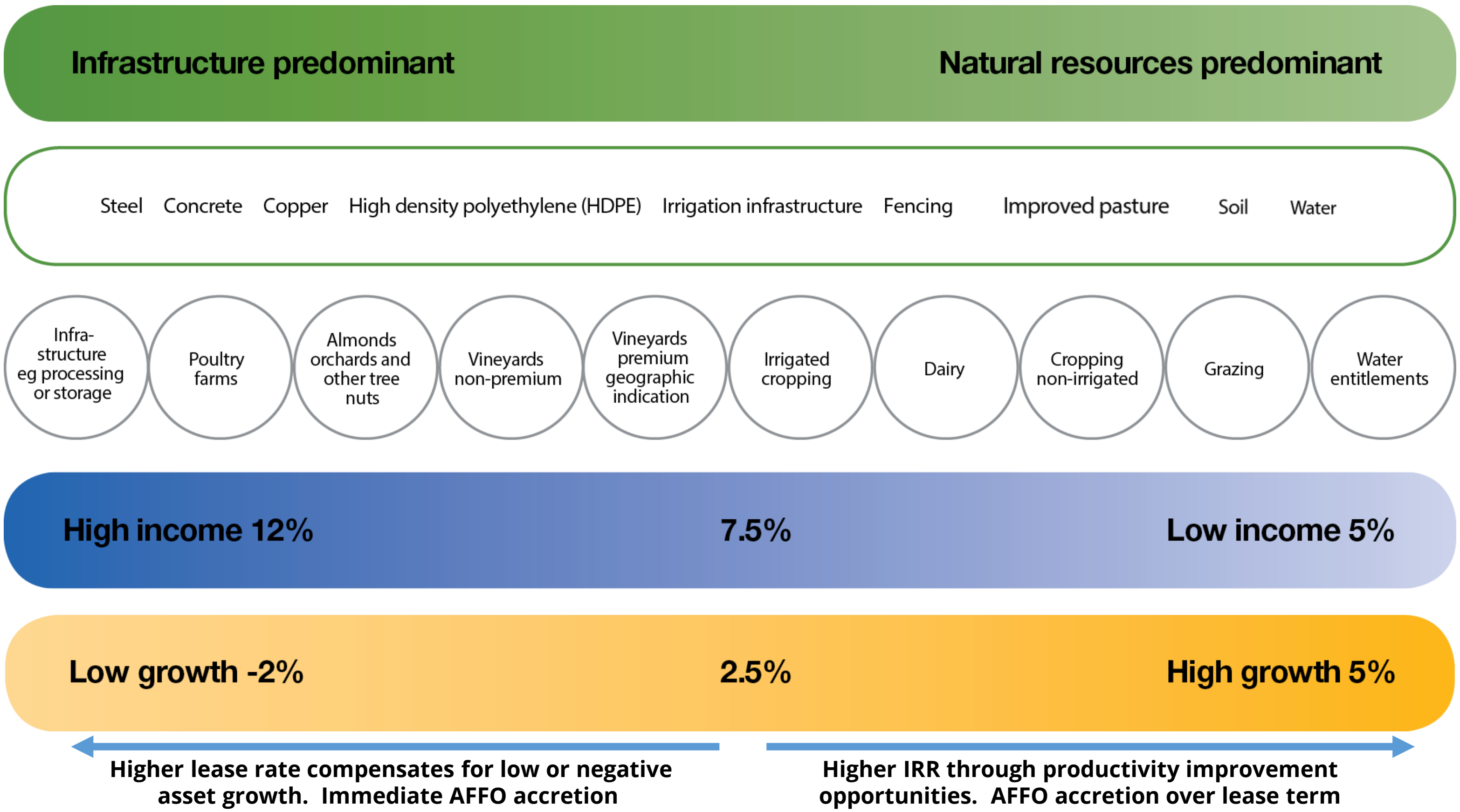
Notes:

1. Includes the Feedlots which are expected to be accounted for as a finance lease and as shown as financial assets on the Balance Sheet and finance income on the Statement of Comprehensive Income. Adjusted for water entitlements totalling 98,682 ML and water delivery entitlements of 21,430 ML representing a fair value of $166.0m.
2. Equity Raising proceeds relating to the Guarantee are used to repay debt. The Guarantee is expected to be treated as a contingent liability.
3. Calculated as external borrowings divided by adjusted total assets.
4. Calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of $75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.

Acquisition strategy

RFM's strategy is to invest in infrastructure and natural resource predominant assets with the aim of increasing the DPU growth rate over time. The returns from the Feedlots are consistent with total return noted in the spectrum after taking into account the CPI-adjusted Put and Call Option.

Spectrum of investment opportunities[1]



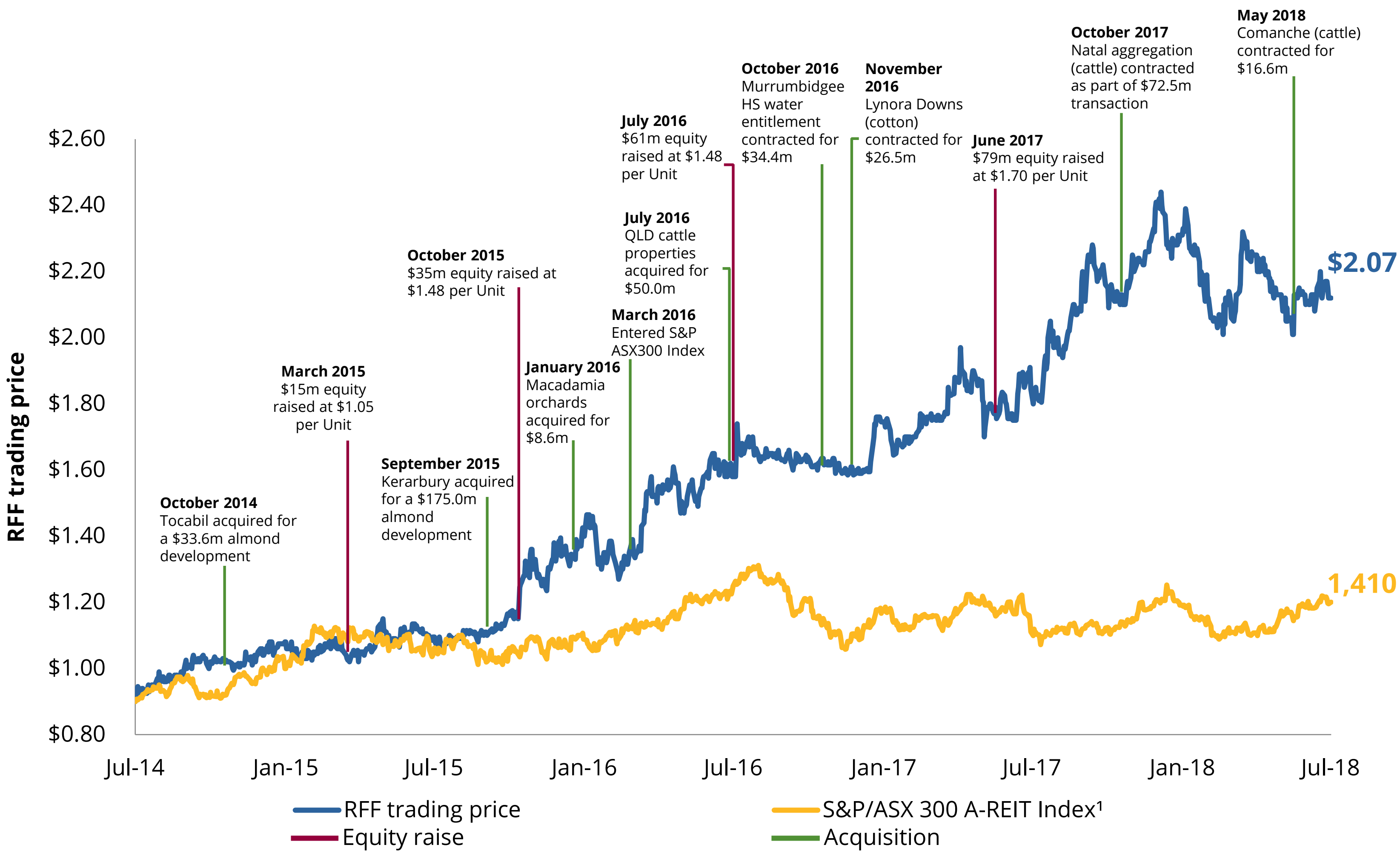
Note:
1. The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance. See RFM Newsletters dated April 2014 and May 2016 for further information.

Acquisition track record and performance

Managed by: Rural Funds Management

RFM has a track record of acquiring assets to improve the financial performance of RFF. Equity funding the Transactions creates capacity for further debt funded acquisitions.

RFF trading price, acquisitions and equity raises[1]



Note:
1. Source: IRESS as at 10 July 2018. S&P/ASX 300 A-REIT Index rebased to RFF's close price of $0.90 on 1 July 2014.

Acquisition criteria

Managed by: Rural Funds Management

RFM considers six principles when evaluating acquisition opportunities.

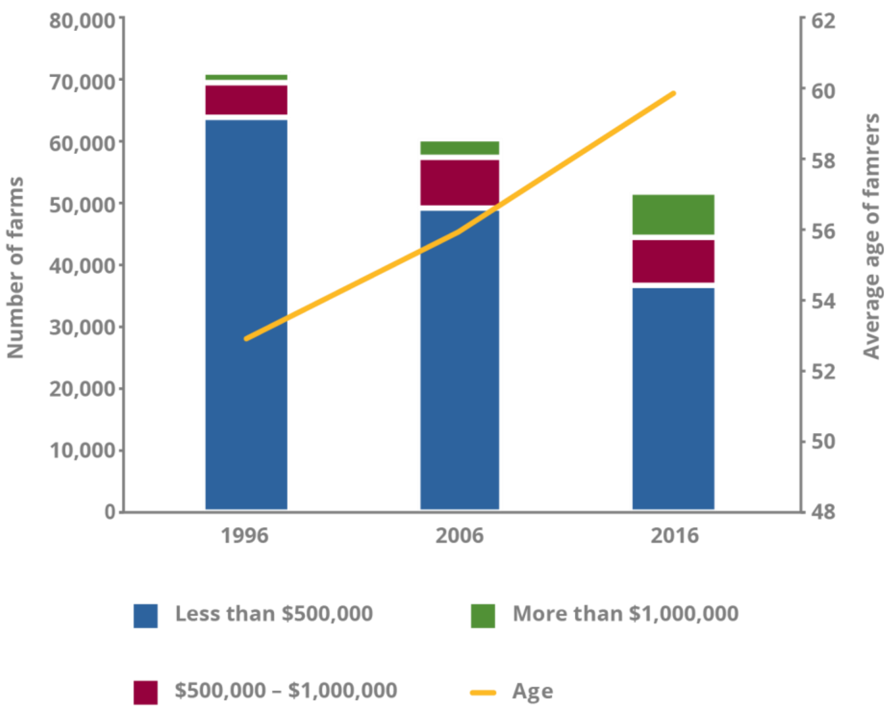
Key principles underpinning assessment of acquisition opportunities

1	Maintain **agricultural REIT** structure	✓	Income secured by long-term leases to quality tenants without the agricultural operating risks associated with a direct investment.
2	Manage **good assets** with **good people**	✓	Quality assets in sectors where Australia possesses a competitive advantage, longevity and scale.
3	Enhance **sector diversification**	✓	RFM's strategy is to invest in multiple sectors across the spectrum of investment opportunities with the aim of increasing the DPU growth rate over time.
4	Enhance **climatic diversification**	✓	Geographic diversification and introduction of new counterparties in different climatic zones.
5	Identify investments which may benefit from **productivity capex**	✓	Productivity improvements, which over time grow asset value, rental income, and improve counterparty profitability.
6	Invest in sectors where RFM has **direct operational knowledge**	✓	RFM is a fund and farm manager with 21 years of experience, which benefits RFF in assessing acquisitions.

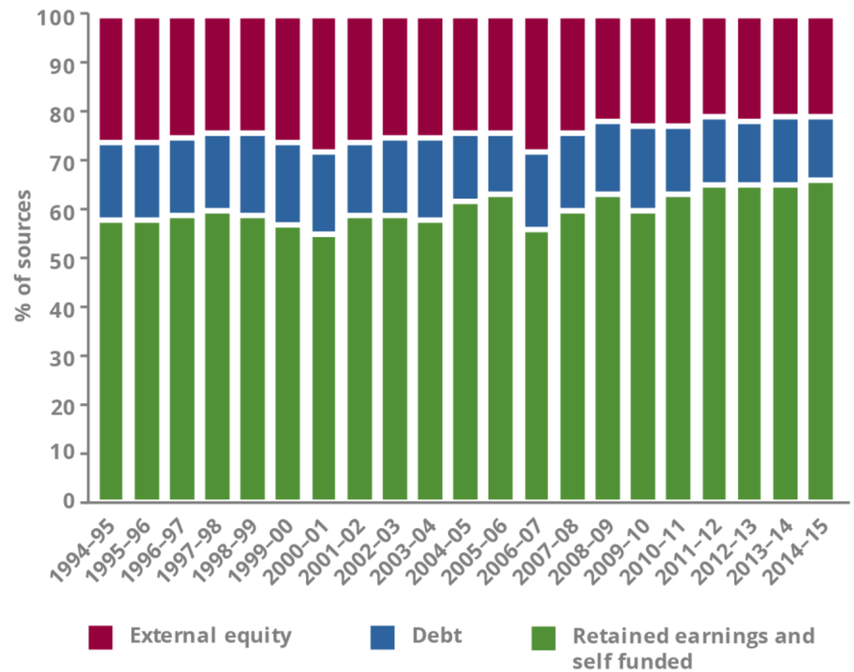
Acquisition environment

The agricultural sector is fragmented and includes owner/operators with limited access to external capital. The need for intergenerational transfer of farms provides acquisition and development opportunities.

Farms by size and average age of farmers[1]



Capital sources for investment[2]



Notes:
1. Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) AGSURF Data 2018. Data represents ABARES defined broadacre sector of Australian agriculture (cropping, livestock and mixed operation thereof). Broadacre data set used in order to show segmentation by size of farm. Total farm number for 2017 was 85,681. Size of farm is defined as gross turnover (total cash receipts plus build up of trading stocks).
2. Source: ABARES, AGSURF Data 2017.

Managed by:
Rural Funds Management

Appendix C. Glossary of terms and abbreviations

Receival site, Mungindi feedlot, Mungindi Queensland, January 2013

Glossary and table of abbreviations

Managed by: Rural Funds Management

Term	Definition
Adjusted NAV	Net Asset Value (NAV) adjusted for the independent valuation of water entitlements
Adjusted total assets	Total assets adjusted for the independent valuation of water entitlements
AE	Adult Equivalent - cattle properties are analysed and valued with reference to AE, much like other farms are analysed on a per hectare basis (an AE is defined as a 450 kg Bos Taurus steer at maintenance)
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)
Contingent liability	A liability that may occur depending on the outcome of a future event
Counterpart	A party other than RFF involved in a financial transaction, usually referring to the lessee of a property
CPI	Consumer Price Index
DPU	Distributions per Unit
Ex-entitlement	Units acquired ex-entitlement are not eligible to participate in the entitlement offer
Fair value	Value of an asset as determined by an independent valuation
Feedlots	A facility where livestock are provided a nutritious diet for the purpose of producing beef of a consistent quality and quantity
Finished weight	When cattle reach a weight which meets the desired market specifications

Term	Definition
Gearing	Calculated as external borrowings divided by adjusted total assets
ha	Hectare(s) - an area of 10,000 m^2
Improved pasture	Pasture with higher relative level of nutrition that is sown to increase livestock weight gain
Inducted	Management process when cattle arrive at a feedlot whereby record keeping and health checks are undertaken
Liveweight	The weight of a live animal, as opposed to the carcase weight
LVR	Loan to valuation ratio - a bank covenant, calculated as debt divided by tangible assets (including water entitlements)
ML	Megalitre - a volume of 1,000,000 litres
m	Million(s)
NAV	Net asset value - calculated as assets less the value of liabilities (does not recognise fair value of water entitlements)
Processor	The operator of a slaughtering facility at which cattle are slaughtered and broken down into saleable beef
Pro forma	Financial statements based on certain assumptions and projections
Standard Cattle Unit	A measure of feedlot capacity - one Standard Cattle Unit is equivalent to an animal with a liveweight of 600 kg
Total assets	Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value)
Record date	Date at which unitholders must own a unit in order to be eligible to receive an upcoming distribution
RFF	Rural Funds Group (ASX:RFF)
RFM	Rural Funds Management Limited - manager and responsible entity for the Rural Funds Group

Managed by: Rural Funds Management

Appendix D. Key risks

Cattle on Rewan, Rolleston, central Queensland, February 2018

Key risks

Managed by: Rural Funds Management

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 RFM.

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

Risk	Summary
Counterparty	All land and infrastructure assets owned by RFF are leased and as such Unitholders are not directly exposed to 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. JBS Australia (JBS) is a wholly owned subsidiary of JBS S.A., a company that is listed on the Brazilian Stock Exchange. The JBS S.A. founders, who retain control of 42% of the JBS S.A. stock, have been convicted of bribery and other similar charges in relation to activities associated with the Brazilian Government. RFM is not aware of any other misconduct or possible charges, however it is possible that if charges were to be laid in the future, the reputation or financial standing of JBS could be impacted. RFF has several lessees, with the largest lessee (by rental income) being Olam Orchards Australia Pty Ltd, representing 24% of RFF's forecast revenue stream during the 2019 financial year.
Rental risk – timing of development expenditure	RFF has entered into leases with Olam Orchards Australia Pty Ltd that require RFF to fund orchard development expenditure. There is a risk that delays in developing the orchards, or the timing of the expenditure, may result in a reduction or deferral of rent to be received under the lease until the development is completed. RFF has entered into contracts to acquire and lease to JBS five Feedlots. There is a risk that delays in the settlement of the Feedlots, or the inability to complete settlement, may result in a reduction or deferral of rent to be received under the lease. RFM expects that the settlement of the five Feedlots will occur in a staged manner as the various governmental approvals are received, including subdivision approval required for two feedlots.
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.
Suspension event	RFM Poultry has chicken growing contracts with Bartter Enterprises (a wholly owned subsidiary of Baiada Poultry) that expire over the period from 31 March 2024 to 3 July 2036. RFM Poultry is dependent on the income from those contracts to meet its obligations to RFF under the leases. There is a risk that a suspension event could occur under the terms of the chicken growing contracts. Under the terms of the RFM Poultry lease, any reduction in the grower fee revenue relating to a suspension event will result in a proportional reduction in the rent payable to RFF. The Bartter Enterprises growing contracts include the following suspension events, which, if triggered, mean all obligations under the relevant growing contract, including payments to RFM Poultry, are suspended until the suspension event is rectified. In the event RFM Poultry suffers a suspension event, this will have a corresponding suspension or reduction in the lease payments received by RFF under its lease with RFM Poultry. If the suspension event persists for longer than six months, the growing contract may be terminated by either party by giving one months' notice. Suspension events for all chicken growing contracts include: act of God; epidemics, fires, industrial disputes by Bartter employees, livestock husbandry issues, disease caused by RFM Poultry and chicken meat importation.

Key risks

Managed by: Rural Funds Management

Specific risks (continued)

Risk	Summary
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.
Legislative (stapled structures)	The Department of Treasury released a paper on 27 March 2018 called "Stapled Structures - Details of integrity package", which proposed to prevent agricultural Managed Investment Trusts (MITs). The impact of preventing agricultural MITs would mean that RFF would be taxed as a public trading trust and not a flow-through trust. The paper noted a commencement period of 1 July 2019 and a transition period of seven years for arrangements in existence at the date of government announcement of this package.
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 chicken meat, 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. The Feedlots being acquired by RFF from JBS will be stocked with cattle that are owned by J&F, a wholly owned subsidiary of RFM. All cattle operations will be managed by JBS, who bear responsibility for mortalities up to a certain threshold. RFM intends to mitigate the mortality risk above this threshold through insurance. It is intended insurance be retained for the period of the lease, however there is no guarantee that it will be obtainable for the entire lease term, or that the insurance will provide cover for all events or diseases that may occur in the future. Any claim on the policy will incur a deductible (excess). In addition, although J&F meet the cost of insurance, any increase in the cost of the premium would result in a net decrease in the return paid to RFF.
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.
RFM Poultry right of rent review	Under the terms of the RFM Poultry lease, there is a right of rent review where there is material permanent change to the profitability of chicken growing activities. Any reduction in RFM Poultry's profitability may result in a reduction in the rent payable to RFF.
Gearing and refinancing	RFF maintains target gearing of 35%. RFF has secured a debt facility that sets limits for the next 1.5 years. Beyond this, there is a risk that RFF's bank 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. RFF has provided a $75m limited Guarantee to J&F in order to secure bank funding that will be used by JBS to stock and manage RFF owned Feedlots. J&F has secured $250 million of funding from two major Australian banks. The facilities have a term of two years, and although it is likely that they will be renewed, there is no guarantee that the funding will be available for the ten year terms of the cattle agreements. Under the cattle agreements, J&F has the right to terminate those agreements should funding not be available.

Key risks

Managed by: Rural Funds Management

Specific risks (continued)

Risk	Summary
Conflict of interest and related party transactions	RFM is the responsible entity for RFF and for a number of other funds 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. In the case of the JBS transaction, J&F, which will be a wholly owned subsidiary of RFM, has entered into agreements with JBS to acquire cattle on behalf of J&F, manage those cattle through to finished weight, and then acquire the cattle from J&F. The cattle will be grown out on RFF's Feedlots and RFF is providing a guarantee of $75m so that J&F may access bank funding to stock and manage the Feedlots. Unitholder approval will be sought for the provision of the guarantee. Related party transactions are subject to compliance with the Corporations Act 2001 (Cth), ASX Listing Rules and RFM Conflict of Interest Management Policy.
Inflation	Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests and Treasury Wine Estates leases allow for annual indexing of 2.5% p.a. with three and five yearly reviews to market respectively. The RFM Poultry lease is subject to indexation of 65% of CPI capped at 2% p.a. The leases to RFM's Almond Funds are subject to fixed indexation of 2.5% p.a. The lease to RFM of the Bonmac macadamia orchard allows for annual indexing of 2.5% p.a. with three yearly reviews to market. The CJV leases are subject to CPI and EYCI linked movements. The leases to Olam, Cotton JV, JBS Australia, and 2007 Macgrove Project are indexed at CPI annually.
Force majeure	The RFM Almond Fund 2006, 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.

Key risks

Managed by: Rural Funds Management

Property Market risks

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

Key risks

Managed by: Rural Funds Management

General risks

Risk	Summary
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.

Managed by:
Rural Funds Management

Appendix E. International offer restrictions

Rewan, Rolleston, Qld, with the Carnarvan Gorge in background, July 2017

International Offer restrictions

Managed by: Rural Funds Management

This presentation does not constitute an offer of new units ("New Units") of RFF in any jurisdiction in which it would be unlawful. In particular, this presentation 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 presentation 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 presentation or to permit the distribution of this presentation 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 Units 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 Units 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 presentation 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 presentation, you should obtain independent professional advice.

New Zealand
This presentation 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 Unitholders of RFF with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and 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 largely 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 presentation 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. The issuer is not authorised or recognised by the MAS and the New Units are not allowed to be offered to the retail public. This presentation 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 presentation 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 presentation immediately. You may not forward or circulate this presentation 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.

Japan
This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in Japan. The New Units have not been and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948), as amended (the "**FIEA**") and may not be offered or sold in Japan unless they are offered or sold pursuant to an exemption from the registration requirements of, and in compliance with, the FIEA and any applicable laws and regulations of Japan.

Rural Funds Management

Key information

Established	1997
Assets under management	Total $743m Rural Funds Group: $687m RFM Poultry: $9m Almond Funds 06-08: $35m 2007 Macgrove Project: $12m
Ownership	Directors & staff
Farm & operations staff	50
Funds management staff	35
RFM direct operational experience	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010
RFF fee structure	1.05% p.a. adjusted total assets & cost recovery
RFF key responsibilities	• Compliance to financial, farming and reporting requirements of leases • Water asset management including obtaining approvals, engagement with government • Management of infrastructure e.g. ongoing and development capital expenditure • Coordination of regular independent valuations • Facilitating acquisitions • Managing lessee/customer relationships

Board and management team contacts and tenure

Guy Paynter
Non-Executive Chairman
8 yrs

David Bryant
Managing Director
21 yrs

Michael Carroll
Non-Executive Director
8 yrs

Julian Widdup
Non-Executive Director
1 yr

Stuart Waight
Executive
15 yrs

Andrea Lemmon
Executive Manager, Funds Management
21 yrs

Daniel Yap
Financial Controller
6 yrs

Jonty Ephron
Chief Operating Officer
Less than 1 yr

Dan Edwards
Business Manager Rural Funds Group
13 yrs

Tim Sheridan
Executive – Acquisitions & cattle
10 yrs

James Powell
General Manager - Investor Relations & Marketing
10 yrs

Rural Funds Management

Managing good assets with good people

Rural Funds Management Ltd
ACN 077 492 838
AFSL 226701
Canberra Office
Level 2, 2 King Street
Deakin ACT 2600
Telephone: +61 2 6203 9700
Facsimile: +61 2 6281 5077
Website: ruralfunds.com.au

For further information:
David Bryant
Managing Director
Rural Funds Management
T 02 6203 9700
E DBryant@ruralfunds.com.au

For media enquiries:
Stuart Waight
Executive
Rural Funds Management
T 0419 126 689
E SWaight@ruralfunds.com.au

Investor relations enquiries:
James Powell
General Manager - Investor Relations & Marketing
Rural Funds Management
T 0420 279 374
E JPowell@ruralfunds.com.au