

Rural Funds Group (RFF)



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ASX Release

Subject: Announcement of capital raising

Rural Funds Management Limited (RFM) as responsible entity and manager of the Rural Funds Group (RFF) advises that it intends to undertake a capital raising. Offer proceeds, combined with debt and retained earnings, will be used to fund the expansion of RFF's agricultural property portfolio in three sectors, and marks RFF's entry into the northern Australian cattle industry.

Details:

- Capital raising of up to \$61 million, 1 for 4 pro rata non-renounceable Entitlement Offer at \$1.475 per Unit
- Proceeds, together with debt and retained earnings will be used:
 - to settle the purchase of three cattle properties and breeding herd in Queensland;
 - to develop a further 1,000 hectare almond orchard on Kerarbury; and
 - to fund three Macadamia orchards acquired in March 2016

Part of the funds raised (\$50 million) will be used to expand the RFF agricultural property portfolio into a new sector and climatic zone with the acquisition of three cattle properties and breeding herd in Queensland. The properties and breeding herd, which will be leased for ten years to Cattle JV Pty Ltd, a wholly owned subsidiary of RFM, form an efficient, integrated cattle operation, with two breeding properties near Normanton in Northern Queensland and a finishing property situated in central Queensland.

Funds will also be used to develop an additional 1,000 hectares of almond plantings on the 'Kerarbury' orchard, near Darlington Point, NSW. RFM announced the lease extension with Olam Orchards Australia Pty Ltd on 29 June 2016. This development, which will commence in 2017, will entail capital expenditure of up to \$65 million over three-and-a-half years, and increase the planted area on Kerarbury to 2,500 hectares.

The Offer will provide equity funding for three macadamia orchards acquired in March 2016. Located near Bundaberg in South East Queensland, two of the orchards are leased to a managed investment scheme (MIS), the 2007 Macgrove Project of which RFM is the Responsible Entity, until June 2037. The third orchard is leased to RFM until December 2036.

The Offer is fully underwritten by Lead Manager and Sole Underwriter, Bell Potter Securities, and Wilson HTM Corporate Finance Ltd is the Co-Lead Manager. Details of the capital raising are set out in the Offer Booklet lodged with the ASX today. An Offer Booklet will be dispatched to those unitholders eligible to participate in the Entitlement Offer on or about 12 July 2016.

About Rural Funds Group (RFF)

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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