

Rural Funds Management Ltd

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8 June 2017

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Dear Unitholder

Rural Funds Group Entitlement Offer – Notification to Ineligible Retail Unitholders

On 7 June 2017, Rural Funds Management Limited (ACN 077 492 838; AFSL 226701) ("**RFM**"), as responsible entity of Rural Funds Trust (ARSN 112 951 578) ("**RFT**") and RF Active (ARSN 168 740 805) trading as Rural Funds Group ("**RFF**" or "**Offeror**") announced a fully underwritten 2 for 9 accelerated non-renounceable pro rata entitlement offer (**Entitlement Offer**) to raise approximately A\$78.6 million. This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to participate in the Entitlement Offer. This letter is not an offer capable of acceptance by you, nor an invitation for you to apply to participate in the Entitlement Offer. **You are not required to do anything in response to this letter, but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

Details of the Entitlement Offer

The Entitlement Offer is fully underwritten and comprises an institutional component (**Institutional Entitlement Offer**) and an offer to Eligible Retail Unitholders (as defined below) (**Retail Entitlement Offer**).

The proceeds from the Entitlement Offer will be used to pursue future acquisitions and reduce gearing from 42.7% to 29.5% on a pro-forma basis following the debt-funded acquisitions of Lynora Downs for \$32.2 million (including forecast capex) in December 2016 and Murrumbidgee River high security water entitlement for \$34.4 million in December 2016.

The Retail Entitlement Offer is being made to Eligible Retail Unitholders (as defined below) on the basis of 2 new units in RFF (**New Units**) for every 9 existing units (**Existing Units**) held at 7.00pm (AEST) on Friday, 9 June 2017 (**Record Date**), at an offer price of \$1.70 per New Unit.

Documents relating to the Retail Entitlement Offer will be lodged with the ASX and dispatched to Eligible Retail Unitholders on 14 June 2017.

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Eligibility to participate in the Retail Entitlement Offer

An **Eligible Retail Unitholder** is a holder of unit in RFF who:

- was a registered holder of Existing Units as at 7.00pm (AEST) on the Record Date;
- has a registered address on the RFF Unitholder register in Australia or New Zealand
- is not in the United States and is not acting for the account or benefit of a person in the United States (to the extent such person holds unit in RFF for the account or benefit of such person in the United States);
- did not receive an offer to participate (other than a nominee) or were otherwise ineligible to participate under the Institutional Entitlement Offer; and
- is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

If you are a retail Unitholder that is not an Eligible Retail Unitholder, then you are an **Ineligible Retail Unitholder**.

Given the relatively small number of Ineligible Retail Unitholders and the cost and complexity of complying with the legal requirements to enable the Entitlement Offer to be made to those Ineligible Retail Unitholders, RFF has decided, as permitted by relevant regulations, not to extend the Entitlement Offer to those Ineligible Retail Unitholders.

As a retail Unitholder and because your registered address is not in Australia or New Zealand you do not meet the criteria for an Eligible Retail Unitholder, and therefore RFF is unable to extend to you the opportunity to participate in the Retail Entitlement Offer. If our records are incorrect on this matter, please contact the RFF Unitholder Information Line on the details below.

As the Retail Entitlement Offer is non-renounceable, entitlements in respect of the New Units you would have been entitled to if you were an Eligible Retail Unitholder will lapse and you will not receive any payment or other value for your entitlements in respect of any New Units that would have been offered to you if you had been an Eligible Retail Unitholder.

An **Institutional Unitholder** is a holder of units in RFF on the Record Date, to whom:

- an offer of New Units may be made in Australia without a disclosure document or product disclosure statement (as defined in the Corporations Act) on the basis that such a person is an “exempt investor” as defined in ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84; or
- an offer of New Units may be made outside Australia without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (or in any other jurisdiction to the extent the issuers are willing to comply with such requirements).

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You are not required to do anything in response to this letter

You do not need to respond to this letter. If you have questions in relation to any of the matters described above, please call the RFF Unitholder Information Line on 1800 026 665 (within Australia) or on +61 2 6203 9700 (outside Australia) at any time from 8.30am to 5.00pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period.

On behalf of RFF and my fellow directors, I thank you for your ongoing support.

Yours faithfully



David Bryant
Managing Director

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Important Notices

This letter does not constitute or form part of an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any unit in RFF. In particular, this letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Units that will be offered and sold in the Entitlement Offer have not been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Units must not be offered or sold to persons in the United States or persons acting for the account or benefit of persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

Rural Funds Group | ASX: RFF

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About Rural Funds Group (RFF)

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

For further information:

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