

ASX Release

28 October 2019

Subject: Sale of poultry assets and acquisition of cattle properties

Sale of poultry assets

Rural Funds Management Limited (RFM), as responsible entity for the Rural Funds Group (ASX:RFF) has entered into agreements for the sale of RFF's poultry assets to ProTen Investment Management Pty Ltd as trustee for ProTen Investment Trust (ProTen) for \$72.0m, subject to certain conditions.

RFF owns 17 broiler chicken farms, 11 of which have an average age of 30 years with grower agreements and leases expiring in FY24. RFM has determined that continued investment in this sector is better suited to businesses with greater economies of scale.

ProTen are a specialist developer and operator of broiler chicken farms with significant industry presence, including in the Griffith region of New South Wales, where the majority of RFF's operations are based.

The transaction requires agreement from the lessee to the early termination of the leases. This requires approval by the unitholders of RFM Poultry (NSX:RFP), the lessee and operator of the farms. A notice of meeting is expected to be sent to RFP unitholders in the coming days to convene a meeting for late November 2019. If approved, by ordinary resolution, the transaction is expected to occur by 31 December 2019.

Funds realised from the sale of these infrastructure assets, and associated plant and equipment, will be initially used to repay debt. Subsequently, it is expected this capital will be invested in natural resource predominant assets which have potential for higher total returns. The first of these acquisitions is expected to be three Western Australian (WA) cattle properties.

Acquisition of WA cattle properties

RFM has entered into options to acquire three cattle properties: Petro, High Hill and Willara, for \$22.6m inclusive of estimated transaction costs. The properties are located between 200km and 280km north of Perth.

The WA cattle properties will be leased to Stone Axe Pastoral Company Pty Ltd (SAP). The properties will allow SAP to expand and further diversify their Wagyu beef operations.

Consistent with other cattle properties acquired by RFF, the WA properties have the potential to improve carrying capacity through grazing area development and additional irrigation.

The leases will be on largely the same terms as existing cattle property leases, including a 10-year term with a rent review in year 5. Settlement is expected to occur April 2020.

Summary and updated forecasts

The intended sale of the poultry assets and reinvestment of proceeds in natural resource predominant assets is consistent with RFM's strategy to make acquisitions which:

- seek to increase the growth rate of adjusted funds from operations (AFFO) per unit over time, through market rent review mechanisms;
- are in industries where Australia possesses a comparative advantage;
- are in sectors in which RFM has experience and expertise; and
- enhance climatic diversification.

Current FY20 forecast distributions totalling 10.85 cents per unit (cpu) remain unchanged. FY20 forecast AFFO, assuming the completion of the transactions described in this disclosure, will be 13.4 cpu, reflecting a payout ratio of 81%.

A presentation has also been lodged with the ASX today providing further details regarding the transactions and updated portfolio metrics.

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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