

# Rural Funds Group (RFF)



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## ASX Release

14 November 2016

### Subject: RFF contracts to acquire Queensland cotton property

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Rural Funds Management Limited (RFM), as responsible entity and manager for the Rural Funds Group (RFF), is pleased to advise it has contracted to purchase Lynora Downs, a 4,880 hectare cotton property located in central Queensland. The property is situated near Rewan, a cattle property acquired by RFF earlier this year.

The purchase price including stamp duty is \$26.5m and is expected to settle in late November. The acquisition will be debt funded and an increase in the bank facility limit has been negotiated. RFF will continue to operate within its financial covenants.

RFM and Queensland Cotton Corporation Pty Ltd, a subsidiary of Olam International Limited, have established a joint venture, CotJV which will lease and operate Lynora Downs for a period of five years, with an option to extend for a further five years.

The property has 780 hectares of developed irrigation fields, and substantial unutilised water entitlements. Lynora Downs will be further developed over the next year with the construction of an additional water storage and development of irrigation area, expected to cost approximately \$5.7m. This capital expenditure will be funded by RFF and attract rent.

RFM Managing Director David Bryant said "the acquisition diversifies RFF into a new commodity, and supports the climatic diversification strategy announced earlier this year. Although cotton represents a new commodity for RFF, RFM has been farming cotton for almost 20 years."

In combination with the high security Murrumbidgee water acquisition announced 10 October 2016, the two transactions add over 25,000 ML to RFF's water portfolio. Both the water entitlements and cotton property are natural resource predominant assets, acquired with the objective of providing RFF with capital and income growth over the long term.

Current FY17 forecasts for adjusted funds from operations of 12.42 cents per unit and distributions of 9.64 cents remain unchanged.

#### 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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