

2007 Macgrove Project



Annual Grower and Adviser update

October 2017

Managed by:



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Cash flow disclaimer

The information included in the presentation is not a financial forecast, a financial projection, financial product advice or an investment recommendation, and is provided for general information purposes only.

The actual performance of the respective Project is likely to differ significantly from the examples included in this table.

This spreadsheet may not be published or disclosed or otherwise disseminated to third parties without the prior express consent of RFM.

Taxation

All amounts provided are pre income tax. RFM's understanding is that the amounts received by Growers will generally be assessable for income tax purposes but may be offset in some circumstances against past amounts. Income tax will vary based on individuals circumstances and independent advice should be sought.

1. **FY17 distribution, performance incentive fee and cash flow matrix**
2. **Industry, harvest and orchard update**
3. **Conclusion and questions**

RFM presenters



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Executive Manager, Funds Management



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National Manager, Macadamias



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1

FY17 distribution, performance fee and cash flow matrix

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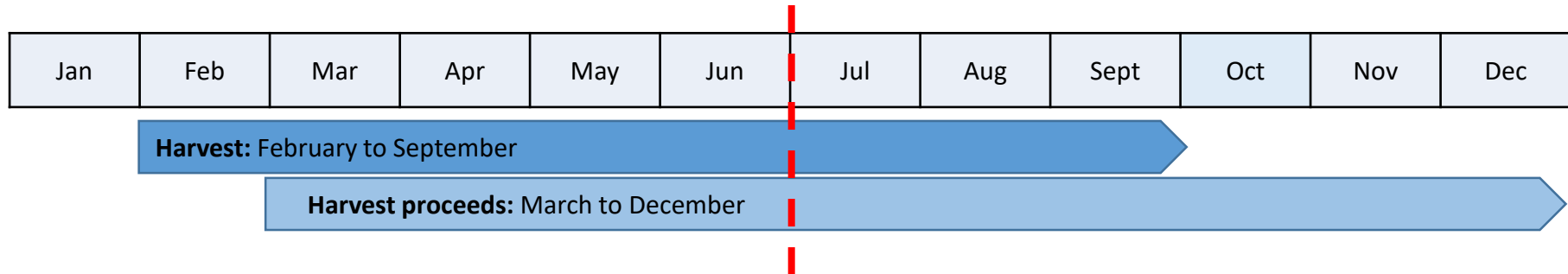


*Macadamias in the final stage, Swan Ridge Orchard,
Bundaberg, Queensland.*

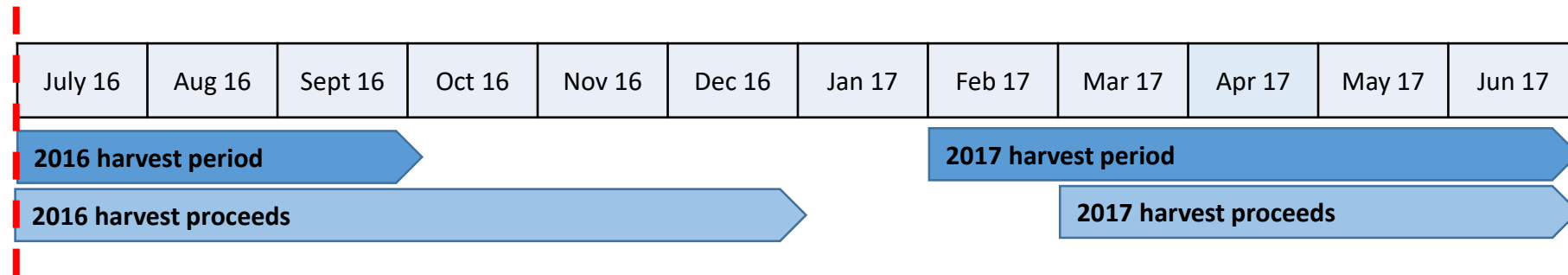
Cash flow and harvest timeline

Distributions are based on harvest proceeds received during a financial year. Therefore each harvest will overlap two financial years

Calendar year or harvest year



Financial Year (e.g. FY17)



FY17 distribution

Growers will receive a net return of \$1,081 per Macgrove

	Per Macgrove
Income	
Harvest proceeds - 2016 crop	\$5,338
Harvest proceeds - 2017 crop	\$2,069
Other income - e.g. interest	\$69
<i>Total Income</i>	<i>\$7,476</i>
Expenses	
Operating expenses	-\$3,254
Partial prepayment operating expenses (FY18)	-\$1,409
Lease payments	-\$1,083
Farm management fees	-\$279
RE cost recovery	-\$370
<i>Total expenses</i>	<i>-\$6,395</i>
Net benefit to growers	\$1,081
<i>Comprised of:</i>	
Distribution	\$446
GST refund	\$635
Net return to Growers	\$1,081

- Each Macgrove will receive a net benefit of \$1,081 (26% higher than FY16) and no invoice
- The return for FY17 is comprised of \$446 cash distribution and \$635 GST refund
- The FY17 proceeds consist of both the 2016 and 2017 harvests:
 - 80% of the 2016 crop
 - 38% of the 2017 crop
- RFM committed to streamline the distribution and invoice process so that Growers receive an annual distribution in years where the Project is cash flow positive, reducing admin costs and paperwork
- The invoice includes an amount of \$1,409 for FY18 operating expenses

Performance incentive fee

RFM is entitled to a performance incentive fee of \$176,463 for FY17. This compares to a \$nil performance incentive fee under the structure proposed by RFM at the February 2016 Grower meeting

- Under the existing performance incentive fee (PIF) structure RFM is entitled to \$176,463 based on FY17 net proceeds of sale
- RFM has proposed a PIF structure based on net return to Growers, aligning the interests of both Growers and the Manager
- The proposed PIF does not become payable until the Grower achieves a return equal to 100% above the expenses to occupy and operate the Macgrove in a year. The Manager is entitled to a PIF of 20% above this threshold
- Under the proposed structure, RFM is not entitled to a PIF in FY17 and will seek Grower approval to adopt this structure. RFM will aim to hold a meeting early December and is seeking Growers' feedback and support for the proposed PIF

Performance incentive fee (PIF) comparison FY17

PIF calculation FY17	Current structure	Proposed structure
Harvest proceeds	\$4,288,416	\$4,288,416
Expenses	n/app	-\$2,887,224
Net amount	\$4,288,416	\$1,401,192
Threshold for PIF	\$3,582,563	\$5,774,448
Amount above threshold	\$705,853	nil
PIF % payable above threshold	25%	20%
Total PIF (inc GST)	\$176,463	nil
PIF per Grove (inc GST)	\$305	nil

Cash flow matrix

The below matrices set out financial returns under a range of yield and price scenarios

Maturing orchard (\$/Macgrove)

			Yield - t/ha NIS		
			Low	Medium	High
			2.5	3	3.5
Price - \$ kg/NIS	High	\$5.50	\$543	\$1,522	\$2,331
	Medium	\$5.00	\$42	\$1,027	\$1,805
	Low	\$4.50	-\$459	\$426	\$1,279

Mature orchard (\$/Macgrove)

			Yield - t/ha NIS		
			Low	Medium	High
			4	4.5	5
Price - \$ kg/NIS	High	\$5.50	\$3,206	\$4,291	\$5,198
	Medium	\$5.00	\$2,404	\$3,389	\$4,374
	Low	\$4.50	\$1,602	\$2,487	\$3,372

Cash flow assumptions

The information included in the tables is not a financial forecast, a financial projection, financial product advice or an investment recommendation, and is provided for general information purposes only. The cash flow scenarios illustrated in the table are based on:

- a range of possible scenarios based on various yield and price assumptions with maturing vs mature orchard scenarios including different operating costs (mature costs being the maturing costs grossed up by 10%), yield assumptions and PIF under existing structure;
- historical price ranges of macadamias, actual prices may fall outside this range;
- historical yields achieved by fully mature trees, actual yields may be outside of this range;
- all amounts are provided post GST refund to GST registered growers; and
- individual taxation benefits are not measured.

Current orchard maintenance costs, the historical prices of macadamias and the yield of trees are not necessarily a guide to future costs, prices and yields. The actual performance of the respective project is likely to differ significantly from the examples included in this table.

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2

Industry, harvest and orchard update

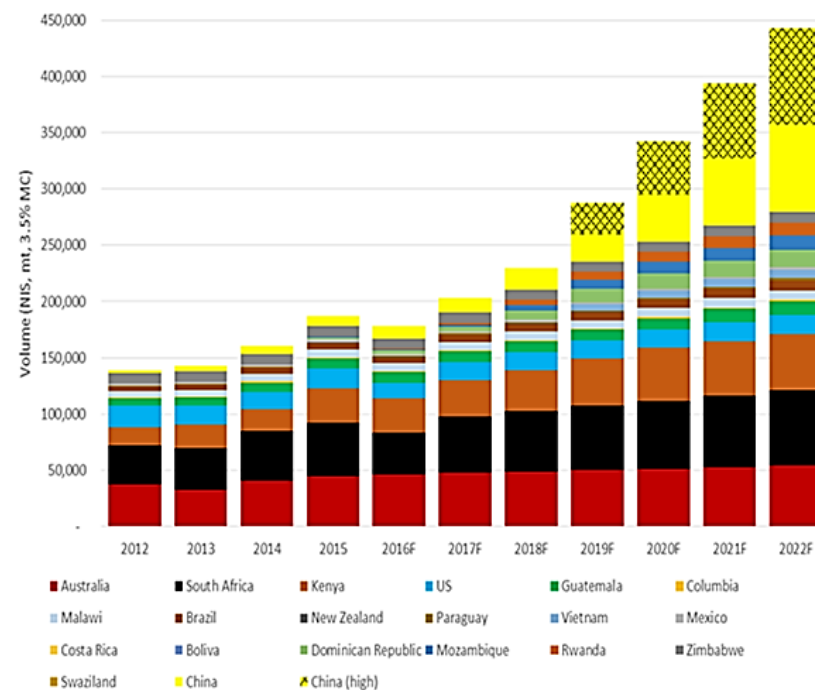
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Moore Park Orchard, Bundaberg, Queensland.

- Global production forecasts primarily attributable to Australia, Africa and China
- African supply has been lower due to drought
- It is yet to be seen if Chinese plantings will produce at predicted levels
- Australian macadamia price:
 - \$5.35 at 33% kernel recovery (final price to be announced in December)
 - farm gate price for the 2017 season for the Project is \$5.41 (subject to end of season adjustment)
 - exchange rate (AUD/USD) movements have an impact on price
- Largest global per capita consumption is Australia at 172 grams per person
- The emergence of the Chinese in-shell market has put pressure on the world kernel supply

World production forecasts¹



1. Australian Macadamia Society, 2017.

Harvest overview

- 2017 harvest completed in August 2017:
 - harvested 594.89 tonnes nut-in-shell (NIS) at 10% moisture
 - achieved 2.54 tonne/ha NIS
 - average 33.89% sound kernel recovery
 - season price increased to \$5.35/kg (33% SKR) compared to \$5.20/kg (33% SKR) last season¹
- The extreme hot weather experienced over the Christmas growing period significantly shortened growing hours within the orchard. The result was approximately 10% reduction in overall nut size
- Tropical Cyclone Debbie resulted in no material damage to the orchard albeit with harvest delays and more crop than initially thought washed from the orchard

1. SKR = Standard Kernel Recovery

Sorting Room



B Double being loaded



Key Projects

- De-husking infrastructure upgrade:
 - old system throughput 2 tonne per hour of NIS maximum
 - new Admac de-huskers and infrastructure:
 - up to 6 tonne per hour
 - virtually no husk left on product
 - colour sorter used to remove defects (previously requiring two people)
 - updated sizing table – fully adjustable
 - double the finished goods storage
 - 200% increase in actual throughput
- Automation of irrigation infrastructure benefits include labor savings and more timely/efficient water application/use
- Tree shaking trials:
 - limited trials in 2016 and more than 15,000 trees shaken in 2017
 - limited (400 trees) tested in Project
 - flower thinning trial 2017
 - program to be expanded across Project orchards next season
 - reduced harvest time, increased quality and breaking of disease cycle

Admac De-huskers & Colour Sorter



Tree shaking



Corporate information



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