

2007 Macgrove Project (MP07)

ARSN 119 560 235

Managed by:
 Rural
Funds
Management
Managing good assets with good people

Financial results presentation

for the year ended 30 June 2021

15 October 2021



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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.

Presenters



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A photograph of a macadamia orchard row. Two dense, green trees line a path covered in fallen leaves, leading towards a bright light at the end of the row.

1 Industry and harvest overview

Macadamia orchard row, Swan Ridge Qld, March 2021.

Industry update

Australian industry update

- The 2021 Australian macadamia crop forecast has been revised down by 4.5% from 54,440 to 52,000 tonnes at 10% moisture.¹
 - Kernel yields are slightly down however overall quality is very good.¹
- Australian macadamia kernel sales are following global trends and showing strong improvement, with all major regions experiencing growth on the prior year.¹
 - 2021 kernel sales have increased more than 10% from last year.²

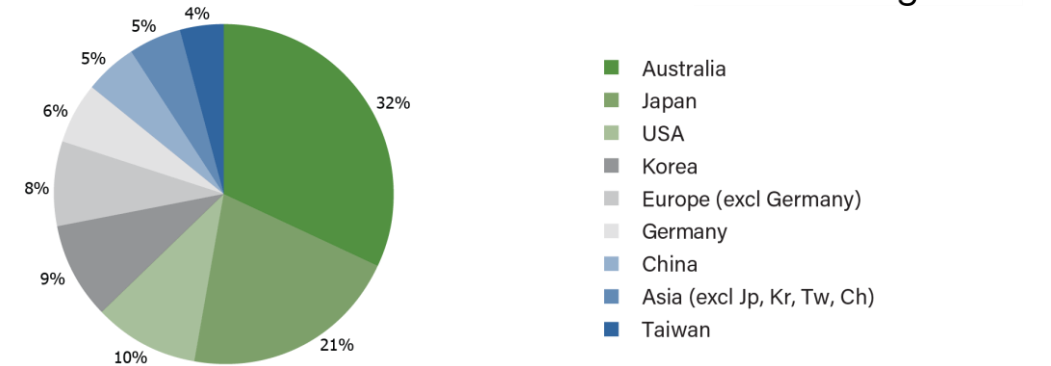
Global industry update

- Global uncertainty and shutdowns throughout 2020 have led to delayed payments and shipments.
 - Demand for Australian kernel sales is returning to pre-pandemic levels or better.²
 - Retail and snack sales have remained strong throughout the pandemic in most markets.²
- Demand for ingredient styles has started to show a strong recovery, driven by a reopening of food service trade, particularly in the USA.²

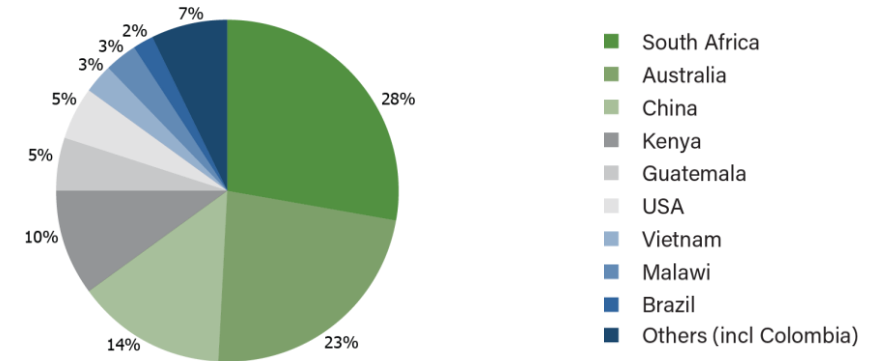
Notes:

- Australian Macadamias Society: Australian Macadamia September 2021 market report.
- Marquis Macadamias, The Nutshell, newsletter for Macadamia Growers, September 2021.
- Australian Macadamias Society. Source Australian Macadamia Handlers Association. AMHA represents 90% production, sales are adjusted to represent non-AMHA members.
- Australian Macadamias Society. Source INC. Percentages where shown are subject to rounding.

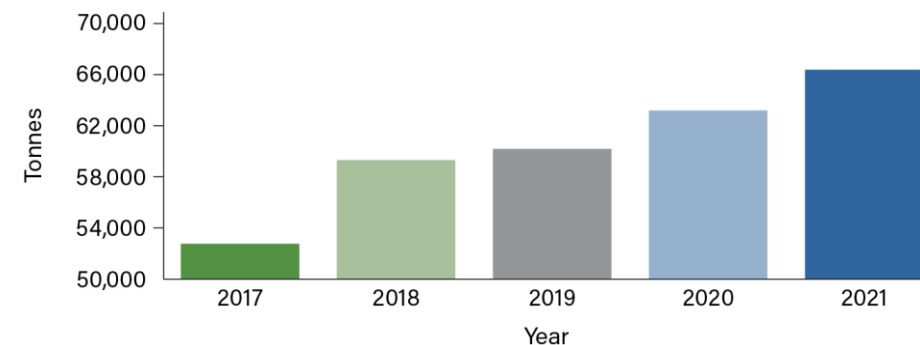
Australian 2020/21 kernel sales³



Global kernel production 2021 crop forecast⁴



Global kernel production 5 year trend⁴



MP07 harvest overview

A challenging growing season but good harvest conditions.

- Flowering for the 2021 crop began in October 2020 and was followed by a reasonable 'nut set' across all varieties.
- The 2021 harvest commenced March 2021 and was completed September 2021.
- Throughout the growing period (September 2020 to January 2021) temperatures were above average and rainfall was below average. Supplementary irrigation was used in response to the seasonal conditions.
- Despite the reasonable nut set and use of supplementary irrigation, the 2021 crop yield was negatively impacted by the very dry and hot growing conditions.
 - The orchards have had low reject kernel recoveries and a return to normal levels of sound kernel recovery.
- Flowering for the 2022 crop is almost complete and early indications see one of our best flowerings to date.



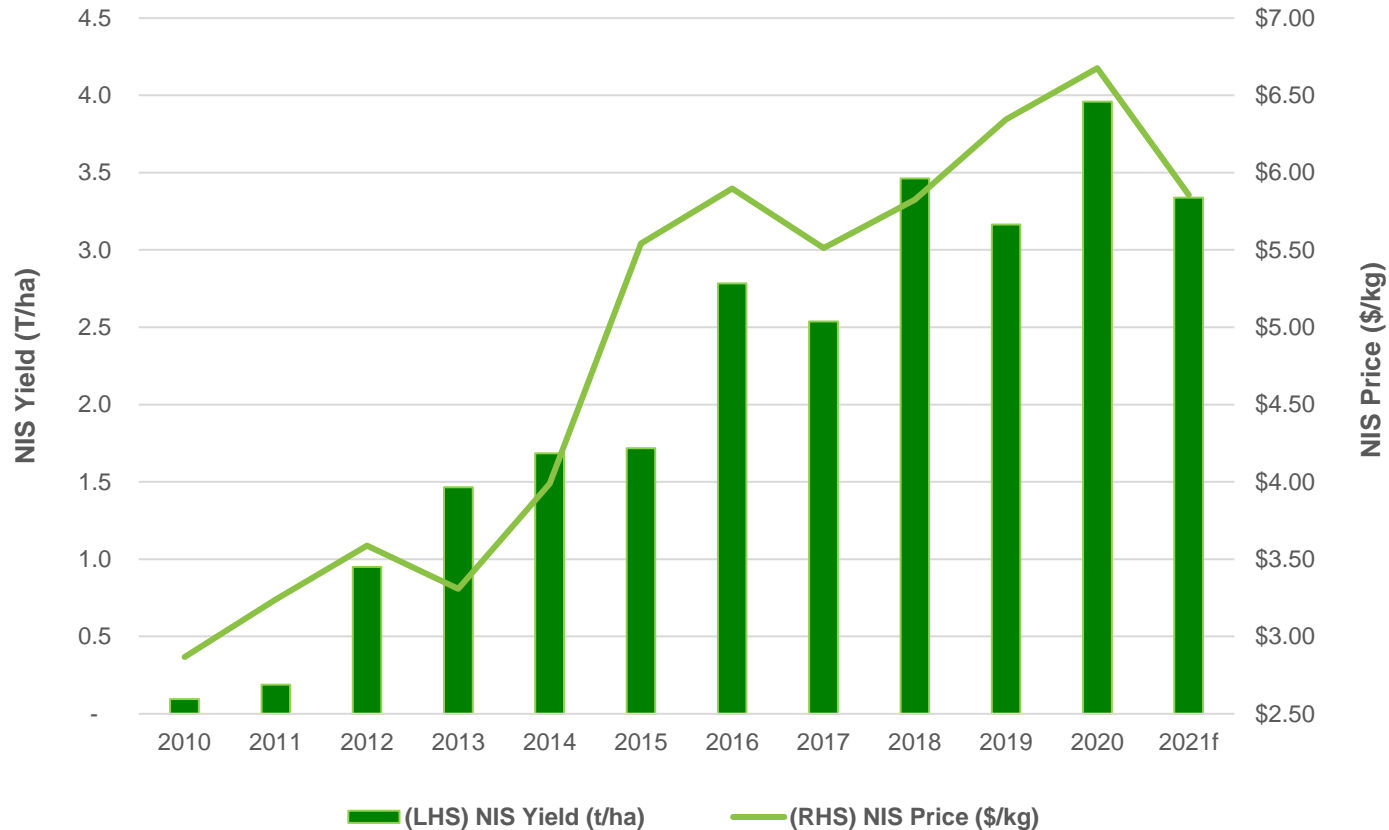
Macadamia flowers at Swan Ridge orchard, October 2021.



Farm staff produce over 2,500 tonnes of compost on-site using discarded macadamia husks and other organic inputs, Swan Ridge, August 2020.

Yield and price

MP07 2021 yield of 3.34 tonnes/ha and forecast price of \$5.85/kg NIS.

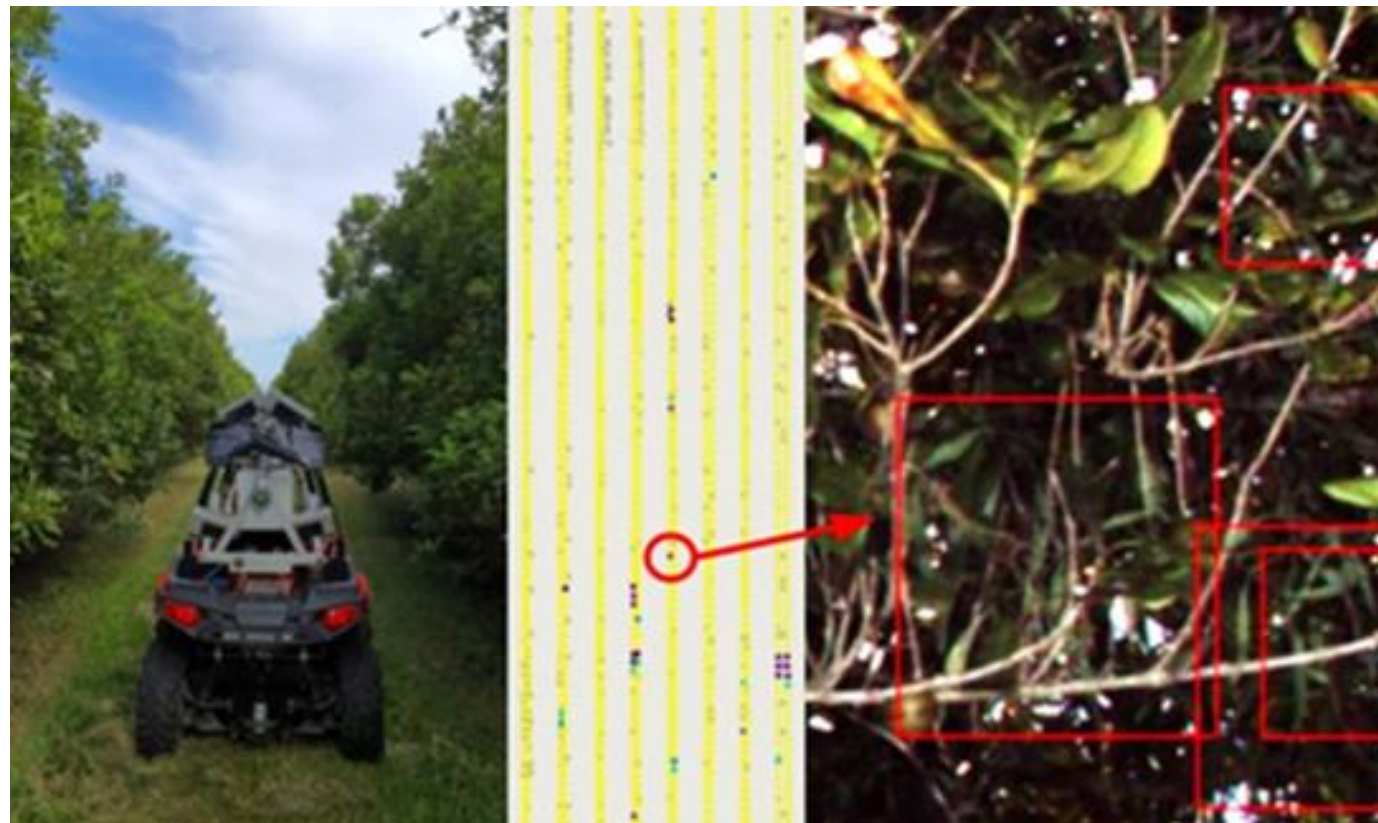


- The 2021 yield reflects the hot and very dry conditions experienced over the growing season:
 - Total crop (kernel) of 1.25 tonnes/ha (down 1.40 tonnes/ha from the 2020 crop).
 - Supplementary irrigation provided some mitigation for the dry conditions, but crop yield was impacted.
- Crop quality was good despite challenging growing conditions:
 - Sound kernel recovery was 37.4% (up 35.3% from the 2020 crop).
 - Reject kernel recovery was 1.7% (down 2.0% from the 2020 crop).
- Current forecast price of \$5.85/kg (down from \$6.68/kg in 2020) and remains subject to end of season price adjustments.

Optical yield monitoring and counting technology

Technology assisting management in predicting yields and tailoring nutrition programs.

- Management is trialling and developing optical yield monitoring and counting technology.
- Artificial intelligence counts nuts using images that are taken of the trees.
- Samples of nuts are also taken which can be compared to the optical yield data.
- The technology will assist management in predicting yields (more precise and earlier) and tailoring nutrition programs in different areas of the orchard.
- Trials to continue in FY22.



Optical yield monitoring and counting technology trials to predict yields and tailor nutrition programs.

A close-up photograph of a macadamia tree branch. The branch is covered with green, oval-shaped leaves and several clusters of round, brown, textured macadamia nuts. Some nuts are still green, indicating they are not yet ripe. The background is a soft-focus view of more tree branches and leaves.

2

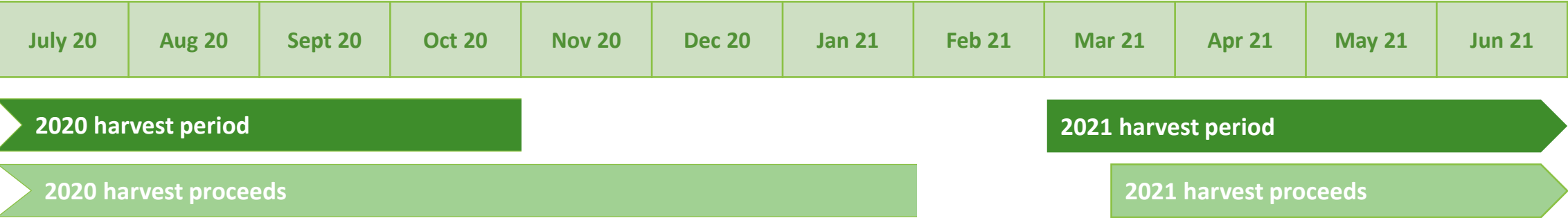
FY21 financial results

Macadamia nuts at Swan Ridge, Bundaberg Qld, March 2021.

Cash flow and harvest timeline

The FY21 distribution is based on partial harvest proceeds of two crops received during the financial year.

FY21 harvest period and proceeds



- The FY21 proceeds consist of:
 - 61% of the 2020 crop (3.96t/ha and NIS price \$6.68/kg) and
 - 33% of the 2021 crop (3.34t/ha and forecast NIS price \$5.85/kg).
- Due to the timing of the receipt of harvest proceeds, which varies each financial year, the FY21 distribution comprises a combined 94% of harvests proceeds.
 - As a comparison the FY20 distribution comprised 107% of harvests proceeds.

FY21 financial results

Return to Growers of \$983 inc. GST refund.

	Per Macgrove
Income	
Harvest proceeds - 2020 crop	\$6,802
Harvest proceeds - 2021 crop	\$2,619
Other income – e.g. interest	\$44
Total Income	\$9,465
Expenses	
Operating expenses	(\$5,108)
Rental	(\$1,454)
Farm management fees	(\$429)
RE cost recovery	(\$491)
Total expenses	(\$7,482)
FY21 result	\$1,983
Adjustments	
Credit for prepayment operating expenses (FY21)	\$500
Partial prepayment operating expenses (FY22)	(\$1,500)
Total adjustments	(\$1,000)
Return to Growers (inc. GST refund)	\$983
Comprised of:	
Distribution to Growers	\$132
GST refund	\$851

- Each Macgrove is entitled to a combined distribution and GST refund of \$983. This is lower than FY20, primarily driven by:
 - lower yield,
 - lower macadamia price and
 - timing of harvest proceeds.
- Partial prepayment of operating expenses of \$1,500 per Macgrove for cash flow management requirements, also reduced the FY21 cash distribution.
- The return comprises \$132 cash distribution and \$851 GST refund. Statements will be issued and the distribution paid today.
- Income, expenses and adjustments are split equally for joint venture growers.
- RFM is currently reviewing MP07 registry services.

A photograph of a macadamia orchard in full bloom. The trees are covered in dense green foliage and numerous long, drooping, yellowish-brown flower spikes. The ground is covered with fallen leaves and shadows from the trees. A green rectangular box is overlaid on the right side of the image, containing the text '3 Conclusion' in white.

3 Conclusion

Macadamia orchard in flower, Swan Ridge, Bundaberg Qld, September 2021.

Conclusion

Industry recovering well and a good result despite challenging conditions.

- Industry recovering to pre-pandemic levels.
- Yield of 3.34 tonnes/ha NIS despite hot and very dry growing conditions, indicative farm gate price of \$5.85/kg NIS (subject to end of season adjustment).
- The return for FY21 of \$983 is comprised of \$132 cash distribution and \$851 GST refund.
- Statements will be issued and the distribution paid today.
- Please don't hesitate to contact RFM Investor Services if you have any queries regarding your investment.

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