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Dear Grower,

2007 Macgrove Project (MP07) half-year investor update

As the 2020 macadamia harvest is now well under way, it is Rural Funds Management's (RFM) pleasure to provide 2007 Macgrove Project (MP07) Growers with the following update.

Industry update

Australia contributed the second largest amount to global macadamia production in 2019, growing 43,500tn¹ nut in shell (NIS) or 19% of the global crop (see Figure 1). As shown in Figure 2, approximately 70% of Australian macadamias grown in 2019 were exported. Export destinations include Japan (19%), the largest market for kernel, followed by USA (13%). Global demand for Australian macadamias continues to be strong, with little impact from COVID-19 to date.

Figure 1: 2019 estimated World Macadamia production.²

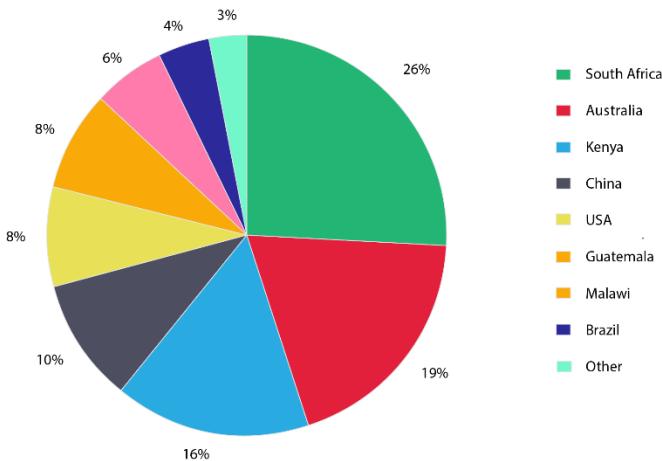
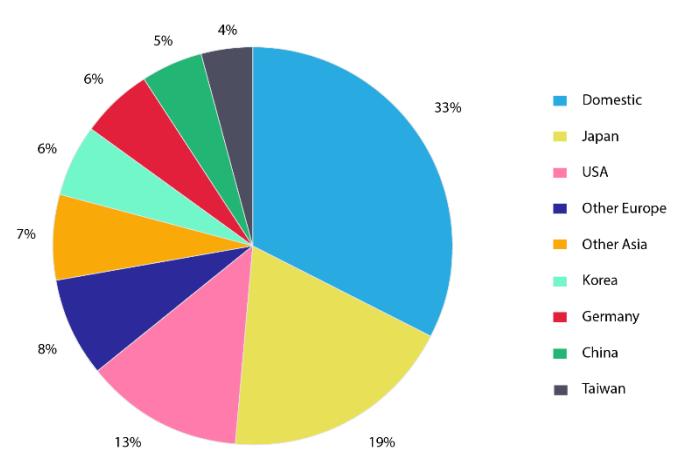


Figure 2: 2019 Australian macadamia kernel sales volume.³



¹ At 3.5% Moisture Content (MC).

² Source: INC magazine and provided by Australian Macadamias Society. Volumes reported at 3.5% MC.

³ Source: Australian Macadamias Handling Association, provided by the Australian Macadamias Society.

Australia is forecast to produce 36,500tn¹ of macadamias in 2020, down approximately 16% on 2019. The 2019 and the 2020 crops were affected by severe drought conditions with the subsequent lower production creating challenges in meeting demand. However this has resulted in improved pricing for producers, with the 2020 final farm gate price expected to be similar or higher than the 2019 price of \$6.30/kg NIS.

Growing season and harvest update

The 2019 harvest was completed at Swan Ridge and Moore Park in September. Following the completion of the harvest, operations within the orchard continued with a focus on ongoing maintenance and preparation for the 2020 crop. This included pruning, fertigation, pest and weed control, machinery maintenance and applying fertilizer and compost. High quality compost was able to be created from discarded macadamia husks from last year's harvest. Up to 2,500tn of this compost is produced on site which provides significant savings and improved efficiency.

Management have continued to expand research into tree water use with additional sap flow and other equipment being installed on the Moore Park orchard. The data from these instruments is used to fine tune the volume and application of irrigation. These actions assist in monitoring tree health, soil moisture and assisting with overall orchard management (see Figure 3).



Figure 3: RFM's irrigation manager, performs routine checks of the irrigation systems across the orchards, February 2020.

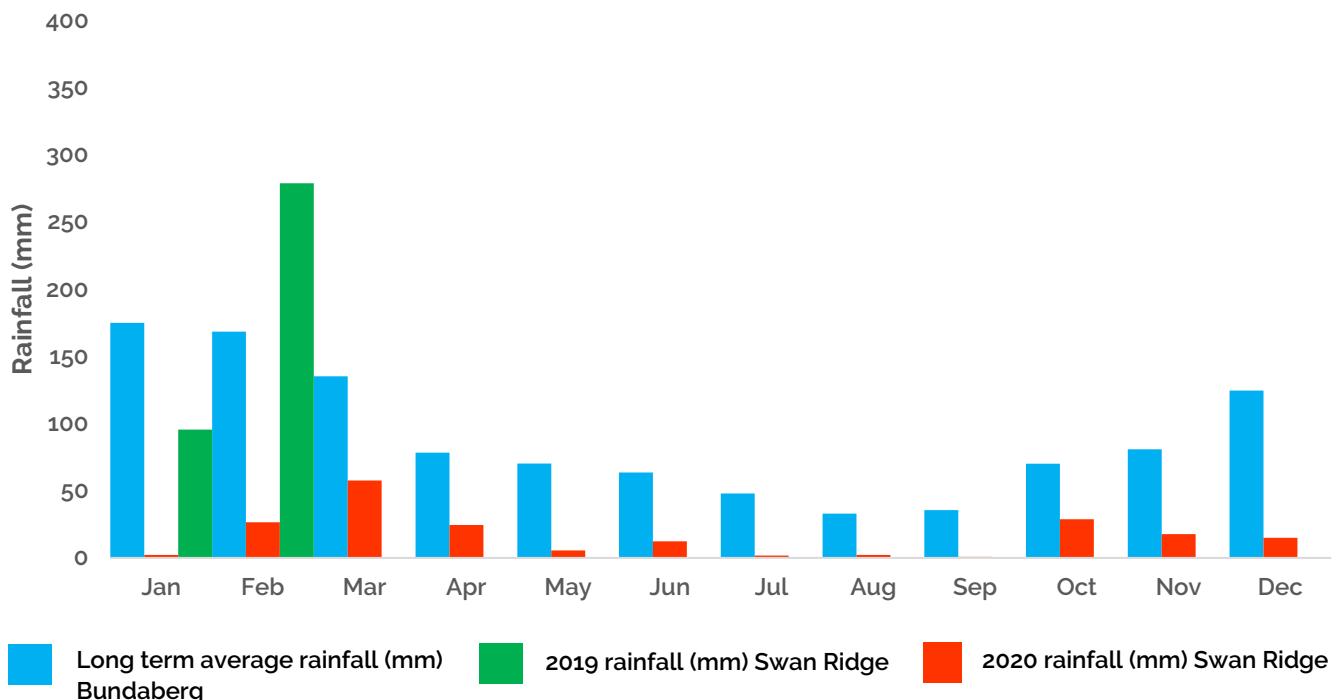


Figure 4: Early flowering on macadamia trees, Swan Ridge Qld, October 2019.

Flowering on the trees began early in October (see Figure 4) which was followed with a good 'nut set' across all varieties (see Figure 6).

Growing conditions from September through to the end of January were mostly hot and dry. Over these months only 157.7mm of rain was recorded at Swan Ridge orchard, compared to the long-term average of 487.9mm (Figure 5). The average maximum temperature over the same period was 33.3°C, compared to the long-term average of 28.3 °C. Notably, each month experienced temperatures above 30 °C. Because of the persistent high temperatures, management conducted regular monitoring and irrigation to limit crop shedding.

Figure 5: Long term average and annual rainfall (2019 and 2020).



In February 278.8mm of rain was recorded which temporarily delayed harvest. By late February first-round harvest of the 660-741 cultivar variety commenced at both Swan Ridge and Moore Park. The first-round harvest progresses as the macadamia trees naturally shed the nut which are then collected with a harvester (see Figure 7). The 660-741 cultivar is one of 12 varieties on the orchards and is usually the first in the season to shed nuts.

The harvest progressed well into April with no interruptions. By mid-April the first-round harvest on all trees was completed with approximately 200tn collected.



Figure 6: Good quality crop despite the hot and dry conditions, Swan Ridge Qld, February 2020.



Figure 7: Macadamia harvester use to collect nuts off the ground, Swan Ridge Qld, February 2020.

Management have implemented a number of procedures in response to risks related to COVID-19 which has enabled the harvest to continue without delays. These include assigning separate teams and equipment for each of the two orchards, restricting on-site visitations and implementing a strict social distancing and sanitising regime.

The harvest is expected to continue until September. From May, tree shakers will start to be used to dislodge mature nuts that have not fallen naturally. To date more than 360tn of harvested nuts have been delivered to the processors. The 2020 harvest is expected to result in a materially higher yield than the 3.2t/ha NIS of 2019. This is assisted by advancements in the understanding of tree water requirements and subsequent application of irrigation throughout the growing season.

HY20 Financial Statements

The Financial Statements for the period ended 31 December 2019 (HY20) were published on 13 March 2020. These can be accessed on the RFM website.

Ongoing updates

A Grower webinar is expected to be held in October to coincide with the release of the full-year Financial Statements. As usual the webinar will provide a further harvest update and details of the 2020 distribution. Invitations to the webinar will be sent to Growers and advisers in September by email.

In the meantime if you have any queries concerning your investment please contact Investor Services on 1800 026 665 or InvestorServices@ruralfunds.com.au.

Yours sincerely,



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