

NEW ZEALAND RURAL LAND CO.

WWW.NZRLC.CO.NZ

Notice of Special Meeting
24 May 2021

www.nzrlc.co.nz



Dear Shareholders,

This notice is to call a special meeting of NZL shareholders which will be held at the offices of Link Market Services (80 Queen Street, Auckland CBD) on 24 May 2021 starting at 12pm.

The purpose of the meeting is for shareholders to consider approving a series of transactions for NZL to become a significant owner of New Zealand rural land in the dairy sector.

Background

Since NZL's listing our Manager has been conducting due diligence investigations on a number of rural land assets and potential tenants in New Zealand. Over the past four months these investigations have particularly focused on the dairy asset portfolio owned by Van Leeuwen Group Investments Limited (in receivership) and its related companies.

These investigations have led to NZL entering a conditional series of transactions with the Vendor and the Vendor Financier. The overall effect of these transactions is that NZL will acquire 14 dairy properties for an aggregate purchase price of approximately \$114 million (subject to final adjustments). A wholly owned subsidiary of NZL will undertake the Acquisition.

In addition, NZL may acquire additional dairy assets of up to approximately 866 hectares for up to \$22.76 million. However, the acquisition of these Additional Assets is conditional on refinancing arrangements of the Vendor failing to successfully conclude or, unconditional sale and purchase arrangements with third parties over those assets failing to settle. By passing the Resolution, Shareholders are approving the acquisition of all or some of these Additional Assets as well which could increase the transaction to 17 dairy assets for \$136.76 million (subject to adjustments). Unfortunately, NZL does not expect the conditions to be satisfied and to be able to acquire these Additional Assets.

NZL has also entered three leases with three tenants for the Properties it proposes to acquire. The tenants will undertake dairy farming operations on the Properties from the time that they are acquired. The overall gross lease rate from these three leases will be just over 5% per annum. If any of the Additional Assets are acquired, they will also be leased to one of these three tenants at a gross lease rate of over 5%.

The Acquisition is conditional on NZL shareholder approval, the Vendor and the Vendor Financier concluding certain financing arrangements, the Vendor co-operating with the requirements of the receiver and the receivership over the Vendor ceasing (which will occur once all other conditions are satisfied). Subject to these conditions being satisfied or waived, the Acquisition (in respect of the Properties) will be settled on 1 June 2021.

The Properties

The Properties are all located in the South Canterbury / North Otago region of the South Island and comprise of approximately 6,350 hectares of rural land. This includes a significant amount of support land, buildings and other improvements. The land is also well served with access to water/irrigation and other services. More detailed information on the properties is included in this Notice of Meeting.



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The Tenants

The Properties will be leased to three New Zealand companies - [Sustainable Grass Dairy Limited](#), [Performance Dairy Limited](#) and [Performance Livestock Limited](#). The board of each tenant entity includes a former senior manager of the Vendor, at least one non-executive representative of the Vendor and two independent directors. Following due diligence, NZL is satisfied with the depth of New Zealand dairy farming experience that each tenant entity has and with their respective governance arrangements. Biographies of the directors of each tenant entity can be viewed on the websites of each tenant entity.

The leases are each for an initial term of eleven years, with two twelve-year rights of renewal. Each tenant meets or exceeds NZL's security requirements for tenants. The aggregate gross lease rate of over 5% comfortably exceeds the 4.5% minimum gross lease rate target that NZL has for acquisitions.

Financing

The Board proposes to finance the Acquisition through a mixture of debt and cash as follows:

- approximately \$71 million in cash; and
- the balance from the new Bank Facilities from Rabobank.

The Board set an internal policy of debt being no more than 30% of the value of NZL's total assets. Following settlement of the Acquisition and the Southland Acquisition, NZL expects to have total debt of just approximately 42.6% of total assets (with assets valued on a cost basis). Should NZL acquire any of the Additional Assets, this debt level may increase further.

The Board is comfortable with temporarily exceeding this internal debt policy level given that the Acquisition represents a unique opportunity to quickly scale up NZL with high quality rural land assets. The Board intends for NZL to return to compliance with this 30% internal policy following completion of the Acquisition and the Southland Acquisition.

NZL will look to restore its debt position following further consideration of its short term capital requirements. The Manager has identified a comprehensive pipeline of rural land assets that currently span dairy, viticulture and potentially acquiring rural land for use for electricity generation which give scope for NZL to gain further scale throughout 2021.

Approvals Sought

Due to the scale of the Acquisition, NZL shareholder approval is necessary as it constitutes a 'major transaction' for the purposes of the Companies Act 1993 and the Listing Rules. The Resolution to be considered at the meeting is set out later in this Notice of Meeting, together with procedural and explanatory notes.

Board Recommendation

The Board considers that the Acquisition is in the best interests of NZL and its shareholders and unanimously recommends that shareholders vote in favour of the Resolution.



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The Board encourages you to consider the information in this Notice of Meeting and to exercise your right to vote. The enclosed proxy form has detailed instructions on how shareholders may lodge their vote or appoint a proxy to vote on their behalf if they are unable to attend the meeting.

We will continue to keep the market updated with the Acquisition in accordance with our continuous disclosure obligations

Shareholders may submit specific questions to the Board at any time in advance of the meeting by emailing them to info@nzrlc.co.nz.



Rob Campbell

Chair



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Transaction Overview

Under the acquisition NZL will acquire fourteen large scale dairy assets in South Canterbury and North Otago totaling approximately 6,350 hectares. The properties are a mixture of traditional seasonal supply pastoral dairy farms, hybrid grass based grazing and cut winter barn farms, and dairy support blocks.

The 14 farms will be acquired from 6 entities at a cost to NZL of NZ\$ 114.00M (subject to adjustments). The transaction is due to settle within five business days of the sale and purchase agreement becoming unconditional.

The farms will be leased to three tenants for an aggregate rental of NZ\$ 5.62M per annum. The three tenant entities meet NZL's criteria for tenants and the leases have an initial term of 11 years with two rights of renewal of 12 years.

TOTAL PURCHASE PRICE (NZ\$)

\$ 114,000,000 [Subject to Final Adjustments]

TOTAL ANNUAL LEASE (NZ\$ PA)

\$5.792M [\$5.62M - Adjusted for Rental Holiday]

GROSS LEASE RATE

>5%

INITIAL TERM

11 Years - CPI Adjustment Years 3, 6, 9

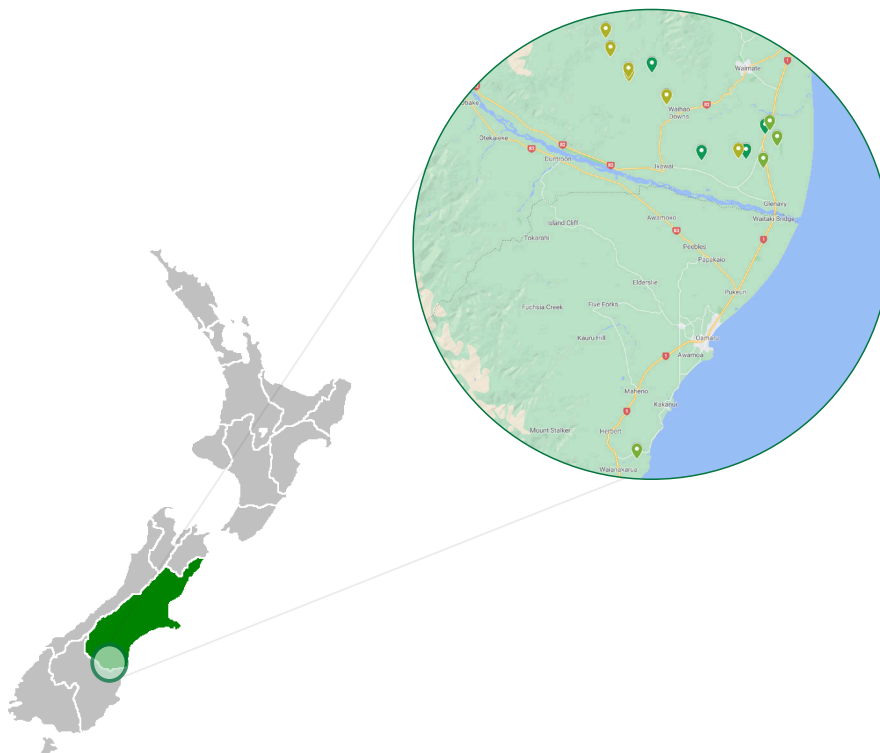
SETTLEMENT DATE

On or before 31 May 2021

These 14 properties are being leased in groups of 3, 5, and 6 properties respectively and to three individual tenants with experience on the type of farm they are leasing. NZL has signed leases with:

- **3 farms** leased by Sustainable Grass Dairy Limited (SGDL)
NZ\$ 1,167,196 p.a.;
- **5 farms** leased by Performance Dairy Limited (PDL)
NZ\$ 3,094,986 p.a.;
- **6 farms** leased by Performance Livestock Limited (PLL)
NZ\$ 1,357,727 p.a..

All tenants have a strong balance sheet supporting both the financial and maintenance components of their lease, independent experienced governance, a demonstrable history of farming excellence, efficient production and profitability in their respective geographies.



Assets Overview



ZONE/ WATER CATCHMENT

Appealing Water Catchment Areas with regard to the Resource Management Act and Local & District Plans and shareholdings in irrigation schemes providing assistance with compliance and the potential for future nutrient headroom.



QUALITY WATER

The majority of the dairy farms being acquired are irrigated. Many source water from the Morven Glenavy Ikawai Irrigation Company (MGI) and bore water - both of which are low-cost and high-reliability water sources.



SUPPORT LAND

These acquisitions contain a number of 'support land' dairy farms. 'Support land' is for grazing dairy animals that are not in milk. We believe the importance and therefore value of 'support land' will increase over time as increasing environmental regulations and disease risk increases off-farm support land importance.



QUALITY LOCATION

The localities of dairy farms in prominent dairy regions offers a variety of dairy supply options including Fonterra, Oceania (who pays a +\$0.15 premium to Fonterra), and Synlait. The locations are well recognised for their soils, water, and their ability and proximity to centers to attract staff.



SOILS

The farms have quality soils that predominantly fall into two categories:

The flat land soils are silt loam soils – e.g. Steward, Pukeuri, Darnley, Pahau, well suited to irrigation and intensive livestock farming. Some of these soils are also well suited to arable cropping.

The hill land soils are silt loam soils – e.g. Timaru, Claremont, Kauru, Ngapara. These soils are suited to irrigation and intensive livestock farming.

Property & Tenant Summary

SUSTAINABLE GRASS DAIRY LIMITED (SGDL)

<https://www.sustainablegrassdairy.co.nz/>

PROPERTIES OVERVIEW

SGDL will lease three farms in South Canterbury totaling 873 Ha with proximity to Oceania (who have a history of paying a +NZ\$0.15 premium to the Fonterra Milk Price).

The farms are located in the South Canterbury area with all of the farms drawing water from the Morven-Glenvay-Ikawai (MGI) water scheme providing a low-cost and high reliability access to water.

Sustainable Grass Dairy Limited (SGDL) is the tenant of the below pastoral dairy farms.

SGDL has local geographical experience in regards to best-practice management and optimal production on this portfolio of farms making them an attractive tenant who are best placed to manage the farms efficiently.

The tenant has significant experience in the dairy industry in regards quality dairy farm performance, with strong independent governance containing a wealth of knowledge in the New Zealand dairy industry, animal welfare, people and environmental management.

DIRECTORS

Mark Heer - Independent Director

Wilma Van Leeuwen Jr - Executive Director

Paul Tocker - Independent Director

Aad Van Leeuwen - Non-Executive Director

OVERVIEW

TOTAL ANNUAL LEASE (NZ\$ PA)

\$ 1,167,196







GROSS LEASE RATE

>5%

LEASE TERMS:

11 Years (with two 12 year rights of renewal with a total potential term of 35 years)

PROPERTY DETAILS

	 LOCATION	 TOTAL HA	 IRRIGATION	 FARM TYPE	 HOUSES	 ANCILLARY BUILDINGS
Farm 1	Ikawai, South Canterbury	270	Irrigation sourced from MGI Water Scheme	Pastoral Dairy Farm	2	50 Bale Rotary Dairy Shed, Effluent Storage
Farm 2	Ikawai, South Canterbury	324	Irrigation Sourced from MGI Water Scheme	Pastoral Dairy Farm	2	40 Bale Rotary Dairy Shed, Effluent Storage, Various Sheds
Farm 3	Morven, South Canterbury	279	Irrigation Sourced from MGI Water Scheme	Pastoral Dairy Farm	3	60 Bale Rotary Dairy Shed, Effluent System, Various Sheds

Property & Tenant Summary

PERFORMANCE DAIRY LIMITED (PDL)

<https://www.performancedairy.co.nz/>

PROPERTIES OVERVIEW

PDL will lease five farms in South Canterbury & North Otago totaling 2,049 hectares with proximity to Oceania (who pay a +NZ\$0.15 premium above Fonterra milk price). The farms are located in the attractive South Canterbury area with three of the farms drawing water from the Morven-Glenway-Ikawai (MGI) water scheme providing a low-cost and high reliability access to water.

The five farms consist of four hybrid/barn dairy farms and one support farm.

PDL has local geographical experience in regards to best-practice management and optimal production on this portfolio of farms making them an attractive tenant who are best placed to manage the farms efficiently.

The tenant has significant experience in the dairy industry in regards quality dairy farm performance, with strong independent governance containing a wealth of knowledge in the New Zealand dairy industry, animal welfare, people and environmental management.

DIRECTORS

Mark Heer - Independent Director

Dion Van Leeuwen - Executive Director

Paul Tocker - Independent Director

Aad Van Leeuwen - Non-Executive Director

OVERVIEW

TOTAL ANNUAL LEASE (NZ\$ PA)

\$3,094,986

GROSS LEASE RATE

>5%

LEASE TERMS:

11 Years (with two 12 year rights of renewal with a total potential term of 35 years)

PROPERTY DETAILS

	 LOCATION	 TOTAL HA	 IRRIGATION	 FARM TYPE	 HOUSES	 ANCILLARY BUILDINGS
Farm 1	Waihao Downs, South Canterbury	535	Irrigation Sourced from Waihao Downs Irrigation Company	Support Farm	3	Various Sheds, Cattle Yards, Fertiliser Bunker
Farm 2	Morven, South Canterbury	434	Irrigation Sourced from MGI Water Scheme	Hybrid Dairy Farm	6	60 Bale Rotary Dairy Shed, Office Building & Plant, Effluent Storage, Yard
Farm 3	Waianakarua, North Otago	504	Irrigation sourced from Local River	Hybrid Dairy Farm	5	60 Bale Rotary Dairy Shed, Cattle Yards, Effluent Storage, Feed System
Farm 4	Morven, South Canterbury	142	Irrigation Sourced from MGI Water Scheme	Hybrid Dairy Farm	2	Effluent Storage, Cow Barn, Dairy Feed System
Farm 5	Morven, South Canterbury	434	Irrigation Sourced from MGI Water Scheme	Hybrid Dairy Farm	4	60 Bale Rotary Dairy Shed, Feed Barns, Effluent Storage

Property & Tenant Summary

PERFORMANCE LIVESTOCK LIMITED (PLL)

<https://www.performancelivestock.co.nz/>

PROPERTIES OVERVIEW

PLL will lease six support farms in South Canterbury totaling 3,419 hectares. These support farms will provide management and care for livestock including the development of young dairy stock through to production and finishing beef cattle. We believe the importance and therefore value of "support land" will increase over time as increasing environmental regulations & disease risk increases off-farm support land importance.

The tenant has significant experience in the dairy industry in regards quality dairy farm performance, with strong independent governance containing a wealth of knowledge in the New Zealand dairy industry, animal welfare, people and environmental management.

DIRECTORS

Mark Heer - Independent Director

Rodney Van Leeuwen - Executive Director

Paul Tocker - Independent Director

Aad Van Leeuwen - Non-Executive Director

OVERVIEW

TOTAL ANNUAL LEASE (NZ\$ PA)

\$ 1,357,727

GROSS LEASE RATE

>5%

LEASE TERMS:

11 Years (with two 12 year rights of renewal with a total potential term of 35 years)







PROPERTY DETAILS

	 LOCATION	 TOTAL HA	 IRRIGATION	 FARM TYPE	 HOUSES	 ANCILLARY BUILDINGS
Farm 1	Waihao Forks, South Canterbury	494	N/A	Dairy Farm / Support Farm	2	Dairy Shed, Calf Sheds, Cattle Yards
Farm 2	Morven, South Canterbury	291	N/A	Support Farm	1	Cattle Yards, Stock Yards, Covered Yards
Farm 3	Waihaorunga, South Canterbury	513	Irrigation sourced from Local River	Support Farm	1	Cattle Yards, Wool Shed, Hay Shed
Farm 4	Waihaorunga, South Canterbury	732	N/A	Support Farm	3	Wool Sheds & Cattle Yards
Farm 5	Waihaorunga, South Canterbury	794	N/A	Support Farm	3	Cattle Yards, Various Sheds
Farm 6	Waihaorunga, South Canterbury	595	N/A	Support Farm	2	Sheep Yards, Various Sheds







Additional Assets

These are all properties that NZRLC will purchase if the current unconditional contracts for purchase are not completed or, in respect of Makikhi Road, the Vendor is unsuccessful in refinancing that property itself by 1 August 2021. All leases will be 11 years (with two 12 year rights of renewal with a total potential term of 35 years).







MAKIKHI ROAD

					
PURCHASE PRICE	LOCATION	TOTAL HA	FARM TYPE	LEASE RATE	TENANT
\$ 12,000,000	Waimate, South Canterbury	500	Hybrid Dairy Farm	> 5%	PDL

RYANS ROAD

					
PURCHASE PRICE	LOCATION	TOTAL HA	FARM TYPE	LEASE RATE	TENANT
\$ 9,360,000	Morven, South Canterbury	287	Pastoral Dairy Farm	> 5%	SGDL

LINDIS FARM

					
PURCHASE PRICE	LOCATION	TOTAL HA	FARM TYPE	LEASE RATE	TENANT
\$ 1,400,000	Waimate, South Canterbury	76	Hybrid Dairy Farm	> 5%	PDL

NOTICE OF SPECIAL MEETING

If you have sold or otherwise transferred all of your shares in NZL, please pass this Notice of Meeting, together with all accompanying documents, as soon as possible to the purchaser or transferee or to the broker or other person who arranged the sale or transfer of your shares.

Notice is given that a special meeting of shareholders of New Zealand Rural Land Company Limited will be held on 24 May 2021 at the offices of Link Market Services (80 Queen Street, Auckland CBD), starting at 12pm. If NZL is unable to hold the meeting due to a change in the Covid Alert Level, NZL will host the meeting virtually and Shareholders will be informed of the details through an NZX market announcement and by email.

Capitalised terms used in this Notice of Meeting have the meaning given to them in the Glossary at the back of this Notice of Meeting.

Agenda

- A. Chairman's introduction.
- B. Presentation to shareholders.
- C. Shareholder questions.
- D. Resolution.

Resolution

To consider and, if thought fit, to pass the following special resolution:

Approval of Acquisition: That under section 129 of the Companies Act 1993 (major transactions) and Listing Rule 5.1.1(b) (acquisition of material assets), NZL undertaking the Acquisition, entering the Bank Facilities and undertaking all related transactions to give effect to the Acquisition (as described in this Notice of Meeting), is approved.

PROCEDURAL NOTES

Proxies

Any shareholder of NZL that is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on their behalf. A corporation which is a shareholder may appoint a representative to attend the Meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of NZL. A Proxy Form can be returned by delivery, mail, email or online (as set out below).

The Chair of the Meeting (Mr. Rob Campbell) and any of the other Directors are prepared to act as proxy. Where any Director is appointed as a discretionary proxy, each of the Directors intends to vote in favour of the Resolution.

To appoint a proxy you should complete and sign the enclosed Proxy Form and either return it by delivery, mail or email to the share registrar of NZL:



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<p>By delivery: New Zealand Rural Land Company Limited C/- Link Market Services Limited Level 11, Deloitte Centre 80 Queen Street Auckland</p>	<p>By mail: New Zealand Rural Land Company Limited C/- Link Market Services Limited PO Box 91976 Auckland 1142</p>
<p>By email:</p>	<p>meetings@linkmarketservices.co.nz (please put the words "NZL Proxy Form" in the subject line for easy identification)</p>

You may also lodge your proxy online at <https://investorcentre.linkmarketservices.co.nz/voting/NZL>. You will require your CSN/Holder Number and FIN to complete your proxy appointment. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by Link Market Services no later than 48 hours before the Meeting, being 12pm on 22 May 2021. Online proxy appointments must also be completed by this time. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

Special Resolution

The Resolution is a special resolution. A special resolution is a resolution passed by a 75% majority of votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

As the Resolution involves approval for a major transaction under the Companies Act, if it is passed, any shareholder that has cast all the votes attached to the shares registered in that shareholder's name and having the same beneficial owner against the Resolution is entitled to require NZL to purchase those shares in accordance with section 110 of the Companies Act 1993. Appendix One to this Notice sets out the procedure for this.

Voting Restrictions

There are no voting restrictions applicable to the Resolution.

NZ RegCo No Objection

This Notice of Meeting has been reviewed by NZ RegCo. NZ RegCo has confirmed that it has no objection to this Notice of Meeting.



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EXPLANATORY NOTES

Introduction

NZL raised \$75 million in an initial public offering in late 2020. As set out in the product disclosure statement for that offering, NZL's strategy is to use that capital to acquire New Zealand rural land, with an initial focus on the dairy sector. At the time of acquiring rural land, NZL's strategy is to lease that land to experienced and financially sound tenants for a term of approximately ten years and achieve a gross lease rate of over 4.5%.

The product disclosure statement can be viewed at <https://nzrlc.co.nz/historical-ipo-documents>. This includes details of NZL's business strategy, risks, acquisition policy and tenant policy. The Board considers that the Acquisition is consistent with that strategy and those policies. As noted in the PDS, the key risks in NZL's business strategy that Shareholders should consider in the context of the Acquisition are:

- **Land value risk:** NZL will realise its strategy for capital growth in the value of rural land that it acquires only if NZL acquires rural land at a purchase price that is less than the rural land's future value.
- **Tenant financial risk:** NZL's income will be rental payments received from tenants who lease NZL's rural land. Tenants will be exposed to the financial risks associated with operations on the land (for example, commodity price fluctuations, increases in operating costs, health risks to stock). If tenants do not manage those risks or lack the financial capacity to absorb those risks tenants may default on lease payments to NZRLC.
- **Tenant operational risk:** Operational practices of tenants on the rural land could damage the rural land and decrease its value. For example, poor environmental or unsustainable farming practices could damage production on the rural land in the longer term.

The overall effect of the Acquisition is that:

- At Settlement, NZL will pay \$114 million (subject to adjustments) to own the Properties and they will be leased to the new tenants.
- NZL will pay transaction fees to the Manager of approximately \$1.5 million.
- NZL may acquire all or some of the Additional Assets on 18 June 2021 and/or 1 August 2021 for up to \$22.76 million and will then lease them for a gross lease rate of 5.34%.

Prior to listing, NZL entered a management agreement with the Manager. Under this agreement the Manager identifies potential acquisitions, undertakes due diligence (primarily at the Manager's cost) and reports to the Board with a recommendation to proceed or not. Where the Board approves the acquisition and it is completed, the Manager is entitled to a transaction fee from NZL of 1.25% of the purchase price and a lease fee of \$30,000 per lease. If the Acquisition is completed the fees payable by NZL will be approximately \$1.5 million.



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The Acquisition

The Resolution put forward in this Notice of Meeting seeks shareholder approval for NZL, through its wholly owned subsidiary NZRLC Dairy Holdings Limited, to acquire the Properties, acquire the Additional Assets (should that eventuate), enter into the Bank Facilities and perform all related transactions. Details of the Properties, the Additional Assets and the proposed leases that will come into effect on Settlement are detailed on pages 5 to 10 of this Notice of Meeting.

On behalf of NZL, the Manager has undertaken detailed due diligence investigations on the Properties. This has included:

- legal due diligence;
- commissioning independent valuations from Colliers International on each of the Properties;
- reviewing Real Estate Institution of New Zealand (REINZ) market sales data;
- undertaking environmental assessments of the Properties including soil testing undertaken by Hills Laboratories; and
- reviewing resource consents for the Properties and, where applicable, shares and interest in irrigation schemes to which certain Properties have an interest.

In addition, due diligence was undertaken by the Manager on the Vendor and the tenants. This included:

- reviewing the Vendor's historic financial position and performance together with forecast financial information post the Acquisition; and
- reviewing the operational and governance structure for each tenant together with the experience and qualifications of key personnel to operate the Properties.

The outcome of the above due diligence investigations was:

- no material matters were identified that were considered to have materially adverse effect on the value of the Properties;
- a clear indication of the market value of each of the Properties was ascertained;
- the tenant's should have profitable businesses operating on the Properties to service their lease obligations and can provide security for their lease obligations that satisfies NZL's tenant security requirements; and
- the experience of the tenant's should see the Properties farmed responsibly and consistent with dairy farming best practice.

With the benefit of this due diligence information, the Manager negotiated with the Vendor and the Vendor Financier to agree the purchase price. Negotiations on price were undertaken on an aggregate basis, not on a per property basis.



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The key driver on determining an acceptable price for the Board was ensuring that NZL achieved a gross lease rate of over 15 5%. The gross lease rate is determined by dividing the price paid for the Properties by the amount of annual rental that NZL will receive under its leases. This approach is intended to ensure an adequate return on the assets given that NZL intends to be a long term holder of the Properties.

The final purchase price to be paid for the Properties (\$112.5 million to \$114 million) is below the aggregate value attributed to the Properties under the independent valuations. However, the Board still needs to obtain advice and determine what will be appropriate carrying values for the Properties in the NZL financial statements for the period ending 30 June 2021.

Transactions to Implement the Acquisition

NZL has entered an agreement with the Vendor Financier (**Financier Agreement**) to:

- take an assignment of the debt owing to the Vendor Financier by the Vendor;
- take an assignment of the securities held by the Vendor Financier in respect of that debt (being mortgages and personal property securities); and
- take a transfer a 25% shareholding in the Vendor that the Vendor Financier holds.

The purchase price payable to the Vendor Financier for these financial assets is \$153 million.

NZL has also entered a back-to-back agreement with the Vendor (Vendor Agreement) where the Vendor is to pay \$39 million – \$40.5 million to NZL. NZL will then pay that amount it receives, (together with its purchase price of \$112.5 million to \$114 million to the Vendor Financier to settle the purchase price under the Financier Agreement. The Vendor Agreement further provides that NZL is to immediately exchange the debt and securities that it is assigned from the Vendor Financier with the Vendor for ownership of the Properties.

Settlement is scheduled to occur on 1 June 2021, commencing the following series of transactions:

- \$136 million will be paid to the Vendor Financier on Settlement. This will be funded:
 - \$112.5 million from NZL (through cash on hand and the Bank Facilities); and
 - \$23.5 million by the Vendor (from proceeds of selling certain Additional Assets (Ryans Road and Lindis Farm) and proceeds of a livestock refinancing).

NZL will nominate the Vendor (or its nominee) to be directly transferred the 25% shareholding in the Vendor from the Vendor Financier for part of the consideration that the Vendor pays at Settlement.

- NZL will then immediately exchange the debt and securities that it has acquired from the Vendor Financier with the Vendor to receive clear title to the Properties. This will extinguish the debt and securities relating to the Properties and give NZL ownership of the Properties. The leases with the new tenant entities then come into effect.
- If the sale of certain Additional Assets (Ryans Road and Lindis Farm) by the Vendor to two, third (and unrelated) parties under



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unconditional sale and purchase agreements do not also settle on 1 June to part fund the Settlement payment to the Vendor Financier, the amount payable to the Vendor Financier at Settlement will reduce by \$10.76 million with that amount to then become payable to the Vendor Financier on 18 June 2021. NZL would then acquire these Additional Assets on 18 June 2021 (unless the current third party purchasers of them remedy their defaults prior to that time and acquire them). Should NZL step in to purchase these Additional Assets, it may raise capital and drawdown capacity under the Bank Facilities. If they are acquired by NZL, these Additional Assets will be leased to the new tenants at a gross lease rate of 5.34%.

- On 16 June 2021 a further \$5 million is payable to the Vendor Financier. This will be funded by the Vendor from the proceeds of sale of Fonterra shares and livestock that they own and are due to be sold in early June. NZL has agreed with the Vendor to fund any shortfall by increasing its purchase price for the Properties by up to \$1.5 million.
- On or before 1 August 2021 a final payment of \$12 million is due to the Vendor Financier. This will be funded from the proceeds of the Vendor refinancing the last of the Additional Assets (Makikhi Road). If the Vendor is unable to complete this refinancing between Settlement and 1 August, NZL will acquire that residual Additional Asset for \$12 million. NZL will fund this through proceeds of a capital raising and, if that is insufficient, by assuming liability for the Vendor's residual debt over this Additional Asset and taking title to the Additional Asset. On acquiring this Additional Asset, a lease would come into effect with one of the new tenant entities at a gross lease rate of 5.34%.

The transactions occurring at Settlement will be unconditional obligations for each relevant party to fulfil once the conditions to the Acquisition are satisfied (or waived). Those conditions are discussed in the Chair's letter and are:

- NZL obtaining shareholder approval;
- the Vendor and the Vendor Financier concluding certain financing arrangements;
- the Vendor co-operating with the requirements of the receiver; and
- the receivership over the Vendor ceasing (which will occur once all other conditions are satisfied).

Once the above series of transactions is completed NZL will own the Properties and lease them to the tenants - there will be no co-ownership of assets, equity interests or loans held as between NZL and the Vendor / Vendor Financier.

At Settlement NZL will release a detailed announcement to the market confirming that completion of the Acquisition has occurred and all material particulars of the Acquisition.

Financing

The Acquisition will be funded from the following sources at Settlement:

- Cash on hand – approximately \$71 million.
- Bank Facilities – approximately \$43 million.



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The Bank Facilities are new facilities that NZL is currently finalising with Rabobank. Rabobank is providing a revolving credit facility of up to \$65 million to NZL. The Bank Facilities are available for a five-year term, but with the limit decreasing at the two and three-year points of the term and amounts still to be agreed with Rabobank. Under the Bank Facilities, NZL and subsidiaries will grant Rabobank a first ranking mortgage over the Properties and a general security over all present and after acquired personal property. Shareholder approval to enter into and perform the Bank Facilities is sought under the Resolution.

The Bank Facilities are subject to the following material covenants:

- NZL's loan to value ratio must remain below 40%. Rabobank and NZL are however in discussions with a view to this covenant being first tested on 30 September 2021. By this time the contingency of acquiring the Additional Assets will be determined and NZL intends to have executed on a capital management strategy. The carrying values for the Properties in NZL's audited accounts to 30 June 2021 will be the values that the covenant will be tested against. The Board is confident that NZL will comply with this covenant when it is tested. From 30 September this covenant will be an ongoing requirement where the loan to value ratio must be at 40% or less at all times;
- NZL must maintain an interest cover ratio of at least 2.00x (tested quarterly); and
- NZL must ensure that capital expenditure in each financial year does not exceed 120 per cent of the forecast capital expenditure as set out in an annual budget that NZL is to deliver to Rabobank; and
- Reporting covenants such as the provision of financial information.

The final interest rate for the Bank Facilities is not yet confirmed however NZL will fix its interest rate in the interest swap arrangements, because of the swap arrangements this will mitigate the risk of paying higher interest rates. NZL will disclose these terms in accordance with its continuous disclosure obligations.

The expected debt and asset position of NZL after settlement of the Acquisition and the Southland Acquisition (in approximate figures) is as follows:

Assets		Debt	
Properties acquired under the Acquisition (at cost, including transaction fees)	\$115.5m	Rabobank drawdown for the Acquisition	\$44.5m
Property acquired under Southland Acquisition (at cost, including transaction fees)	\$10.4m	Rabobank drawdown for the Southland Acquisition	\$9.2m
Total Assets	\$125.9m	Total Liabilities	\$53.7m
Debt as a percentage of total asset cost			42.6%

The asset values above reflect the cost basis to NZL in acquiring the Properties. The Properties will however need to be valued at their market value in the audited full year accounts of NZL for 30 June 2021. The Board will be obtaining advice on the appropriate market value to adopt and this will be assessed by NZL's auditor and advised to market in due course.

The Board intends to restore debt to below 30% of total assets promptly following Settlement and is working through a capital strategy for this at present, having regard to further acquisition opportunities that are under investigation and the contingent acquisition of the Additional Assets. The Board will look to update Shareholders on this capital strategy by the end of May 2021

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through a market announcement with a view to restoring debt to the internal policy level by the end of August 2021. As part of considering whether to approve the Acquisition, the Board is asking Shareholders to endorse its decision to temporarily relax NZL's internal debt policy.

Subject to whether the Additional Assets are acquired and determination of the carrying value of the Properties in NZL's full year accounts for 30 June 2021, NZL will need to reduce debt to \$37.3 million to restore its debt position to its 30% internal policy. This 30% level was set as NZL's long term, 'business as usual' debt level and is considered by the Board to be conservative and a long term mitigant against the risk of rural land values falling and causing NZL to be over-leveraged. The Board does not consider that exceeding this internal policy level for a short period of time represents a material risk to Shareholders. As this is an internal company policy, the Board has the discretion to amend or vary the policy.

NZL has a capital management policy that is available on its website (<https://nzrlc.co.nz/company-policy-documents>). In accordance with that policy NZL will only, unless there are exceptional circumstances such as an urgent timing need, raise capital by undertaking a pro rata rights issue to all shareholders. NZL may however place any shortfall arising in a rights issue for three months after a rights issue closes but on terms that are no more favourable than those offered under the rights issue. This policy will ensure shareholders have the ability to maintain their holdings and not suffer dilution.

Financial Effects of the Acquisition

NZL anticipates the following financial effects on NZL immediately following Settlement and settlement of the Southland Acquisition but disregarding any acquisition of the Additional Assets given such acquisition is not expected to occur. These figures are approximate only and are subject to audit:

Annual contracted revenue (rental)	\$6.1 million
Anticipated capital expenditure *	\$1.0 million - \$6.0 million over the next five years
Total assets (at cost)	\$125.9 million
Total debt	\$53.7 million
Net Asset Value	\$72.4 million
Net Asset Value per share	\$1.20

* No commitments for this expenditure are in place. This amount represents a combination of anticipated capital expenditure on the Properties and repairs and maintenance. Capital expenditure will be subject to a business case approved by the Board and in some instances this expenditure may be recovered from tenants through increased rental.

Effect of Resolution

If the Resolution is passed and assuming all other conditions to the Acquisition are satisfied:

- NZL will own the Properties - a substantial portfolio of rural land in the South Island with long term leases of that land operating from Settlement to three experienced and financially sound tenants.
- NZL will have long term recurring revenue through those leases of approximately \$5.6m per annum. From settlement of the Southland Acquisition a further \$0.5 million of annual rental will start to be earned. This should facilitate NZL commencing

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the payment of dividends in FY22, as targeted in NZL's product disclosure statement.

- After Settlement and settlement of the Southland Acquisition, NZL will exceed its internal policy of having debt not exceeding 30% of total assets and will promptly implement a capital strategy to restore debt to the 30% internal policy level.
- NZL may acquire all or part of the Additional Assets for up to a further \$22.76 million. To the extent any Additional Assets are acquired they will be leased for a gross lease rate of 5.34%. While NZL would welcome the acquisition of any of these Additional Assets, it does not anticipate that it will have the opportunity to acquire the Additional Assets given they are either subject to unconditional sale contracts with third parties already (\$10.76 million) or are more likely than not to be refinanced (\$12 million).

Effect of the Resolution not Passing

The effect of the Resolution not passing, is as follows:

- NZL will not complete the Acquisition. In particular, the Financier Agreement and the Vendor Agreement will terminate and the leases to the three tenants will never come into effect.
- NZL will proceed with completing the Southland Acquisition on 1 June 2021.
- The Manager will explore alternative acquisition opportunities for New Zealand rural land for NZL in the dairy sector.

REQUIREMENTS FOR RESOLUTION

Shareholder approval for the Resolution is required under Listing Rule 5.1.1 (b) and section 129 of the Companies Act. The Companies Act requires this approval to be by special resolution.

Listing Rule 5.1.1 (b) provides that NZL may not enter any transaction or series of transactions to acquire, sell, exchange, or otherwise dispose of assets of NZL in respect of which the gross value exceeds 50% of the average market capitalisation of NZL unless approved, in the current circumstances, by a special resolution.

The Acquisition constitutes a 'transaction' under Listing Rule 5.1.1 (b). In particular, the Acquisition involves NZL acquiring assets having a gross value of up to \$136.76 million and NZL's average market capitalisation at market open on 29 April 2021 (being the date that shareholders were publicly notified of the Acquisition through the NZX market) was approximately \$68.3 million.

Shareholder approval is required under section 129 of the Companies Act as the Acquisition constitutes a 'major transaction'. A major transaction is a transaction or related series of transactions that involves acquiring assets, disposing of assets or incurring obligations that together or individually have a gross value which is more than half the market value of a company's assets before the relevant transaction(s). The value of NZL's assets is approximately \$72.5 million (being cash on hand and the deposit paid for the Southland Acquisition). The potential borrowings under the Bank Facilities, and the gross value of the Properties being acquired, each exceed this 50% level.



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GLOSSARY

Defined terms have the following meaning unless the context otherwise requires:

“Acquisition” means the acquisition of the Properties and the potential acquisition of the Additional Assets through the transactions and financing arrangements described in this Notice.

“Additional Assets” means up to approximately 866 hectares of dairy assets owned by the Vendor that may be acquired by NZL for up to \$22.76 million.

“Bank Facilities” means the new banking facilities to be obtained from Rabobank as described in the Explanatory Notes.

“Board” means the board of directors of NZL.

“Directors” means the directors of NZL.

“Explanatory Notes” means the explanatory notes that form part of this Notice.

“Listing Rules” means the NZX Listing Rules dated 10 December 2020 and **“Listing Rule”** means a rule contained in the NZX Listing Rules.

“Manager” means New Zealand Rural Land Management Limited Partnership.

“Meeting” means the special meeting of shareholders of NZL to be held at the offices of Link Market Services Limited (80 Queen Street, Auckland CBD) on 24 May 2021 at 12pm.

“Notice of Meeting” or **“Notice”** means this notice of special meeting.

“NZX” means NZX Limited.

“NZL” means New Zealand Rural Land Company Limited.

“Properties” means 14 dairy assets of approximately 6,350 hectares owned by the Vendor and to be acquired by NZL on the basis described in this Notice.

“Proxy Form” means the proxy form which accompanies this Notice.

“Rabobank” means Rabobank New Zealand Limited.

“Resolution” means the special resolution set out in this Notice to approve the Acquisition.

“Settlement” means settlement of the Acquisition, scheduled for 1 June 2021.

“Shareholder” means a shareholder of NZL.

“Shares” means ordinary shares in NZL.



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“Southland Acquisition” means the unconditional agreement for NZL to acquire a dairy asset of approximately 455 hectares in Southland for \$10.2 million and is due to settle on 1 June 2021. Details of this acquisition were announced to NZX on 15 March 2021.

“Vendor” means Van Leeuwen Group Investments Limited (in receivership) and its related companies.

“Vendor Financier” means Merricks Capital Pty Limited and associated entities.



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APPENDIX – MINORITY BUY-OUT RIGHTS

If the Shareholders pass the Resolution, a Shareholder that has cast all the votes attached to the Shares registered in their name (and having the same beneficial owner) against that Resolution is entitled to require NZL to purchase those Shares in accordance with section 110 of the Companies Act.

To exercise this right, that Shareholder must give notice requiring NZL to repurchase those Shares within 10 working days of the passing of the Resolution. The Board must, within 20 working days of receiving such notice:

- (a) agree to purchase the Shares;
- (b) arrange for some other person to agree to purchase the Shares;
- (c) apply to the Court for an order exempting it from purchasing the Shares under section 114 or section 115 of the Companies Act; or
- (d) arrange, before the Resolution becomes effective, for the Resolution to be rescinded by special resolution in accordance with section 106 of the Companies Act or decide in the appropriate manner not to take the action concerned (as the case may be); and
- (e) give written notice of the Board's decision to the Shareholder.

Where the Board agrees for NZL to purchase the Shares, it must within five working days of giving notice under (e) above, give written notice of the price to the Shareholder that it offers for those Shares. The price must be a fair and reasonable price (as at the close of business on the day before the date that the Resolution was passed) and calculated as follows:

- (a) first, the fair and reasonable value of all Shares must be calculated (the **Class Value**);
- (b) secondly, each Class Value must be adjusted to exclude any fluctuation (whether positive or negative) in the Class Value that has occurred (whether before or after the Resolution was passed) that was due to, or in expectation of, the event proposed or authorised by the Resolution; and
- (c) thirdly, a portion of the adjusted Class Value must be allocated to the Shareholder in proportion to the number of Shares they hold.

However, a different methodology from that set out above may be used to calculate the fair and reasonable price for the Shares if using the methodology set out above would be clearly unfair to the shareholder or NZL. The written notice to the Shareholder must state how (a) to (c) above was calculated or why using this methodology was clearly unfair to NZL or the Shareholder.

A Shareholder may object to the price offered for the Shares by giving notice of their objection to NZL within 10 working days of receiving notice of the price offered. If the shareholder does not object or accepts the offer, NZL must purchase the Shares at the nominated price no later than 10 working days after the date that the offer is accepted or the date that is 10 working days after the date that notice of the price offered was given to the Shareholder. These time periods may be adjusted by agreement between NZL and the Shareholder.



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If an objection to the price has been received by NZL, the following issues must be submitted to arbitration:

- (a) the fair and reasonable price for the Shares, on the basis set out in section 112(2) and (3) of the Companies Act; and
- (b) the remedies available to the Shareholder or NZL in respect of any price for the Shares that differs from that determined by the Board under section 112 of the Companies Act.

NZL must, within five working days of receiving the objection, pay to the Shareholder a provisional price in respect of each Share equal to the price offered by the Board. If the price determined for the Shares by the arbitrator:

- (a) exceeds the provisional price paid, the arbitrator must order NZL to pay the balance owing to the Shareholder; or
- (b) is less than the provisional price paid, the arbitrator must order the Shareholder to pay the excess to NZL.

Except in exceptional circumstances, the arbitrator must award interest on any balance owing or excess to be paid. If a balance is owing to the Shareholder, the arbitrator may award to the Shareholder, in addition to or instead of an award of interest, damages for loss attributable to the shortfall in the initial payment. Any sum that must be paid in accordance with the arbitrator's decision must be paid no later than 10 days after the date of the arbitrator's determination unless the arbitrator specifically orders otherwise.

Where NZL agrees to arrange a third party to purchase the Shares, the provisions set out above apply (subject to such modifications as may be necessary) to that purchase of the Shares. Every Shareholder whose Shares are purchased through a third party pursuant to such an arrangement is indemnified by NZL in respect of loss suffered by reason of the failure by the third party who has agreed to purchase the Shares to purchase them at the price nominated or fixed by arbitration (as the case may be).



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