

24 May 2017

Ms Cheng Tang

Adviser, Listings (Melbourne)  
ASX Limited

BY EMAIL: [cheng.tang@asx.com.au](mailto:cheng.tang@asx.com.au)

Dear Ms Tang,

**Murray River Organics Group Limited ("MRG" or "Company"): ASX Aware Query**

We refer to your letter dated 22 May 2017 (copy attached).

As requested, the Company's response to the questions in your letter is set out below, using the terms defined in the ASX letter with the numbering below corresponding to your questions.

1. Yes.
2. Not applicable.
3. Senior management of MRG first became aware of indicative harvest results which suggested that the weight of the fruit harvested could be materially lower than what would typically be expected on the night of Thursday 18 May. These results were contained in a harvest report issued to senior management of MRG at that time (**Harvest Report**). It was immediately identified by senior management that the data in the Harvest Report was not reliable as it contained readily apparent inaccuracies due to data entry errors.

MRG worked promptly over the course of Thursday night 18 May and Friday 19 May to correct and verify the data in the Harvest Report. It was not until the night of Friday 19 May that the process of correcting and verifying the Harvest Report was completed and that senior management of MRG were aware with any certainty of the results that constituted the Harvest Conditions.

The Harvest Report was the only interim report on the aggregated results of the ongoing harvest which was prepared by MRG in the period from 4 May to 18 May. In this period, the harvest was progressing on a compressed timetable (due to the delay in commencing of the harvest - see response to question 13 below) across MRG's multiple

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properties.

4. As explained above, whilst MRG first became aware of indicative harvest results in the Harvest Report on the night of Thursday 18 May which suggested the adverse Harvest Conditions, that information at that time was incomplete and insufficiently definite to warrant disclosure due to the inaccuracies in the data that needed to be corrected and verified before the data could be relied upon. The information was also confidential and generated for internal management purposes of MRG, and on the basis that a reasonable person would not expect this information to be disclosed, the requirements of Listing Rule 3.1A were satisfied.
5. Yes.
6. Not applicable.
7. The Company first became aware of the Further Revised Guidance once its analysis of the financial impact of the Harvest Conditions was completed and approved by the MRG Board, which did not occur until late on Sunday 21 May.

As described above, the aggregated results of the Harvest, from which the Harvest Conditions were identified, were only confirmed and verified by senior management on the evening of Friday 19 May. The detailed work required to analyse and assess the financial impact of the Harvest Conditions commenced promptly on that Friday night and continued intensively through the weekend of Saturday 20 May and Sunday 21 May. This analysis culminated in a Board meeting at 5:30pm on Sunday 21 May at which management reported to the Board on both the Harvest Conditions and management's analysis of the financial implications of the Harvest Conditions.

In that meeting, the Board determined that it was necessary to immediately (before commencement of trading on the following day) update the market on MRG's previous earnings guidance with the Further Revised Guidance. The Announcement was prepared over the course of Sunday night and Monday morning and finally approved by the Board on Monday morning, 22 May, shortly prior to its release at 9:41am.

8. Not applicable.
9. The Harvest (defined in the ASX letter as the harvest of 80% of MRG's fruit bearing acreage as at 20 May) occurred over a period of approximately 5 weeks from commencement in mid-April. The harvest of MRG's remaining fruit bearing acreage is ongoing.
10. MRG first became aware of the Yield per Mature Acre being experienced across the Sunraysia region in mid-April 2017, when third party growers started delivering fruit.
11. The factors that were considered by MRG when making its Initial Revised Guidance are clearly set out and explained in MRG's announcement on 4 May 2017 ("4 May Announcement").

At the time of the 4 May Announcement, approximately 20% of the Harvest had been completed and yields remained consistent with MRG expectations (as stated in the 4 May Announcement). The Harvest Conditions were not experienced in the first 20% of the Harvest. MRG expected that yields from the remainder of the harvest would continue

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to meet expectations and would not follow the lower trend of Yield per Mature Acre being experienced across the Sunraysia region for the following reasons:

- MRG observed that some of the third party growers in the region who were experiencing the lower Yield per Mature Acre on sultanas had cut and dried their fruit before full maturity was reached in the fruit. MRG manages the timing of harvest to maximise fruit maturity and had sought to mitigate the risk of the late ripening conditions by delaying the drying and harvesting of its sultanas by 4 weeks.
  - As noted in the 4 May Announcement, MRG expected that the lower Yield per Mature Acre experienced in the region was also in part attributable to the hailstorms that occurred in the region late in 2016, which did not impact MRG.
12. The first 20% of the Harvest which had been completed at the time of the 4 May Announcement was mainly the currant variety which, as noted above, was delivering yields consistent with expectations. As explained in the Announcement on 22 May, it is the sultana crop that has been significantly impacted by the wet and cold Spring. In the period from the 4 May Announcement to when MRG confirmed its ongoing compliance with Listing Rule 3.1 on 11 May, the quantum of sultana crop harvested was from variable sites and too small a sample to provide any reasonable basis to project the expected condition of the full harvest.

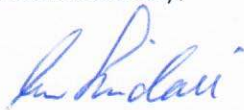
What changed in the following period to when MRG issued the Further Revised Guidance is that MRG identified the Harvest Conditions particular to the sultana crop, which were not observed in the first 20% of Harvest, being mainly the currant variety.

13. MRG first commenced the Discussions with its financier on the evening of Sunday 21 May when management's analysis of the financial implications of the Harvest Conditions and the likely need to release the Further Revised Guidance (subject to Board approval) was determined. It was at this time that management identified that, based on the Further Revised Guidance, MRG would be in breach of the Interest Cover Covenant at 30 June 2017.

The Discussions with the financier occurred on the night of Sunday 21 May and early in the morning on Monday 22 May. At approximately 8:40am on Monday 22 May, MRG's financier confirmed (as stated in the Announcement) that it will waive the anticipated covenant breach.

14. The Company confirms that it is compliance with the Listing Rules and, in particular, Listing Rule 3.1.
15. The responses to your questions above have been approved by the Board.

Yours sincerely,



Ian Sinclair, Company Secretary, Murray River Organics Group Limited  
+61 3 8792 8500

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22 May 2017

Ian Sinclair  
Company Secretary  
Murray River Organics Group Limited  
32 Crompton Way  
Dandenong South VIC 3175

By email: [ian@murrayriverorganics.com.au](mailto:ian@murrayriverorganics.com.au)

Dear Mr Sinclair

**Murray River Organics Group Limited ("MRG"): aware query**

ASX Limited ("ASX") refers to the following:

- A. MRG's announcement entitled "Harvest Update and Revised Earnings Guidance" lodged on the ASX Market Announcements Platform ("MAP") and released at 9:41 am on 22 May 2017 (the "Announcement"), disclosing the following information:
- i. *"As at 20<sup>th</sup> May 2017, harvest on more than 80% of the Company's fruit bearing acreage has been completed..."* (the "Harvest");
  - ii. *"MRG notes the weight of the Sultana crop appears to have been significantly affected by the wet and cold Spring...While the number of bunches counted...was in line with MRG's experience from previous harvest seasons, the actual bunch weight at harvest has been materially lower than what would typically be expected"* (the "Harvest Conditions");
  - iii. *"The reduction in sellable dried vine fruit from the 2016-2017 crop...has resulted in the Company revising its estimated FY17 pro forma EBITDA to be in the range of \$6.5-7.5 million and pro forma FY17 NPAT in the range of \$0.1-0.8 million"* (the "Further Revised Guidance");
  - iv. *"The yield per mature acre achieved by MRG in the 2016-2017 crop season in consistent with that has been reported across the Sunraysia region"* (the "Yield per Mature Acre"); and
  - v. *"On the basis of the revised earnings guidance set out above, the Interest Cover Ratio covenant would be breached at 30 June 2017. The Company has today discussed this with its financier, who has confirmed that it will waive the anticipated covenant breach"* (the "Discussions").
- B. MRG's announcement entitled "Trading Update and Acquisition Announcement" lodged on MAP and released at 6:37 pm on Thursday, 4 May 2017, disclosing the following information on page 2:
- "The FY17 proforma revenue is expected to be down by \$10 million..."*

*“...the Company now expecting to generate FY17 pro forma EBITDA in the range between \$12.5-\$13.5 million in FY17 and pro forma FY17 NPAT in the range between \$4.2-4.9 million...”*

(together, the “Initial Revised Guidance”).

- C. ASX’s aware letter dated 8 May 2017 which was released on MAP with MRG’s response on Thursday, 11 May 2017 (the “Aware Letter”).
- D. The change in share price of MRG from \$0.62 at the close of trading on Friday, 19 May 2017 to a low of \$0.355 at the time of writing and the increased trading volume after the release of the Announcement.
- E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- F. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity”*

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

- H. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

*"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

Having regard to the above, ASX asks MRG to respond separately to each of the following questions and requests for information:

1. Does MRG consider the Harvest Conditions to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. If the answer to question 1 is "yes", when did MRG first become aware of the information?
4. If the answer to question 1 is "yes" and MRG first became aware of the information before the relevant date, did MRG make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MRG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps MRG took to ensure that the information was released promptly and without delay.
5. Does MRG consider the Further Revised Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is "no", please advise the basis for that view.
7. If the answer to question 5 is "yes", when did MRG first become aware of the information?
8. If the answer to question 5 is "yes" and MRG first became aware of the information before the relevant date, did MRG make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MRG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps MRG took to ensure that the information was released promptly and without delay.

Unless detailed separately in your response to the above questions, please advise the following:

9. Over what period of time did MRG's Harvest occur?
10. When did MRG first become aware of the Yield per Mature Acre reported across the Sunraysia region?
11. What factors were considered by MRG when making the Initial Revised Guidance? In answering this question, please comment on the considerations given to the Harvest Conditions and the Yield per Mature Acre reported across the Sunraysia region.



12. What changed since MRG's response to ASX's Aware Letter on 11 May 2017 where MRG confirmed compliance with Listing Rule 3.1 and when the Further Revised Guidance was issued?
13. Over what period of time did the Discussions with MRG's financiers occur?
14. Please confirm that MRG is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
15. Please confirm that MRG's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MRG with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 9.30 a.m. AEST) on Thursday, 25 May 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MRG's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MRG's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [cheng.tang@asx.com.au](mailto:cheng.tang@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to MRG's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MRG's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MRG's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;

- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

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