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Murray River Organics announces FY17 results, capital raise and changes to senior management and Board

Murray River Organics Group Limited (ASX: MRG), the world's largest vertically integrated certified organic dried vine fruit producer, and a manufacturer, marketer and seller of certified organic, natural and better-for-you food products, today announce the following:

- **Maiden full year results as a publicly listed company for the 12 months ended 30 June 2017 (FY17)**
- **A fully underwritten placement and non-renounceable entitlement offer to raise \$12.1 million to strengthen the balance sheet**
- **Senior management and Board changes**

FY17 financial results

- Pro forma results¹
 - Revenue \$62.6 million
 - EBITDA \$6.4 million
 - NPAT \$0.0 million
- Statutory results
 - Revenue \$48.5 million
 - EBITDA \$(0.6) million
 - NPAT \$(6.0) million

Commenting on the FY17 results, Managing Director of MRG, Mr Erling Sorensen, said, "FY17 has been a milestone year for MRG. In addition to the IPO, we have invested some \$44.5 million into growing, streamlining and making the business and our offering to the global marketplace

¹ Pro forma results include adjustments for part year contributions from Food Source International, Australian Organic Holdings, Fifth Street vineyard and Nangiloc property, and excludes one-off IPO costs

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broader and more versatile through a number of significant acquisitions and capital projects. FY17 has also been a challenging year. An unusually wet and cold Spring resulted in difficult trading conditions, and dried vine fruit harvest yields were materially impacted across the Sunraysia region, which impacted revenue and earnings.”

“Despite the lower than expected FY17 financial results, MRG remains a company with strong fundamentals. We now own or control 12,253 acres of high quality farm land, we own a large dedicated dried vine fruit processing and storage facility that can process up to approximately 15,000 tonnes of product per year, and we have established an organically certified packing facility with capability of packing multiple consumer packaged goods formats. In FY17 we invested significantly in assets and processes to position the Company for strong future profitability,” said Mr Sorensen.

Key operational achievements from the second half of FY17:

- The commissioning of the organically certified packaging facility in Dandenong, Victoria;
- The integration of all the operations, activities, assets and brands acquired from Food Source International and Australian Organic Holdings;
- Implementation of uniform operational, marketing, sales and distribution strategies;
- Broadening the range of certified organic, healthy and better-for-you food products;
- Strengthening of relationships with key Australian domestic retailers;
- Company-wide implementation of a single-solution ERP;
- Ongoing consolidation of Sunraysia processing and storage facilities; and
- Purchase of the 7,515 acre “Nangiloc” property.

Growing customer engagement

Building a “Customer First” culture is at the heart of what MRG does, and will ensure that new and existing relationships will continue to grow. MRG has continued to win new, high quality customers through the delivery of superior healthy food products. In addition, engagement with existing customers continues to grow, as witnessed by the growing number of products per customer the Company is supplying.

Through its strategic investments in FY17, MRG has created a solid platform that will provide future diversified revenue streams. Additionally, the establishment of the organically certified Dandenong packaging facility means MRG can innovatively and competitively service its large and fast-growing customer base.

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Capital raising to strengthen balance sheet

Despite the quality of the assets on the balance sheet, a subdued harvest in FY17 created some challenges for MRG. Inclusive of the recent 7,515 acre Nangiloc acquisition, MRG owns or controls 12,253 acres of high quality farm land. Resulting from its major capital expenditure program, MRG has a maturing asset base that will see production increasing substantially in the coming years. As of 30 June 2017, MRG has Net Assets of \$0.76 per share and Net Tangible Assets of \$0.64 per share².

In addition to the previously announced revised debt covenants, the Company today announces its intention to raise up to \$12.1 million via a placement and a 3 for 11 pro-rata non-renounceable entitlement offer, fully underwritten by Morgans and PAC Partners. The proceeds from the capital raise will strengthen MRG's balance sheet by reducing debt levels and providing more working capital flexibility.

The capital raise is comprised of up to \$5.0 million via a Placement to institutional investors, and up to \$7.1 million via a 3 for 11 entitlement offer. The offer price is \$0.30 per share, which represents a 14% discount to the 5-day volume-weighted average price of the Company's shares on ASX over the 5 trading days up to and including 25 August 2017.

The Directors of MRG have advised they intend to take up their full entitlements under the entitlement offer.

Post-capital raise, MRG's net debt is expected to be \$43.7 million (including finance leases³). The debt components that make up MRG's total debt continue to be appropriately matched with the Company's strong tangible asset base.

Senior management and Board changes

The Board of MRG announces that co-founder of MRG, Jamie Nemtsas, will be relinquishing his roles of Chief Operating Officer (COO) and Executive Director effective today.

Commenting on the resignation, Chairman of MRG, Mr. Craig Farrow, said, "On behalf of the Board, I would like to sincerely thank Jamie for his contribution to the business since its foundation. The business Jamie has helped found and grow is impressive in scale and potential. The Board is proud and excited to continue to govern the business to its exciting and full potential. We wish Jamie all the best of success in his future endeavours."

Mr. Nemtsas added, "Having undergone a significant amount of progress and change over the past few years, I now feel comfortable to step away from my role in MRG. I remain a significant shareholder and I believe the foundations are in place for MRG to grow sustainably over the

² Statutory

³ \$19.2 million finance lease liability

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long term, and that the timing is right for me to step away from the day to day operations. I look forward to a bright future for MRG and, on a personal note, to turning my professional focus back to the area of wealth management advisory services."

In addition, following a Board review of MRG's organisational structure, and with many of the major investments now in place that will shape the future of MRG, the Company has made changes to its management structure.

To deliver efficiencies, drive consistency of processes and ensure focus across all aspects of the business, MRG is pleased to announce the following two new key positions, both reporting directly to the Managing Director:

- James Tudehope, as Head of Packing & Processing Operations, will be responsible for the Group's food processing and packaging operations in Melbourne and Sunraysia. James' wealth of experience in food processing and packaging comes from more than 30 years' experience in the food industry. James has held roles as Head of Operations and Operations Manager with major multinational food companies, including 13 years' experience working for Unilever building and operating food facilities in Portugal, Pakistan and Canada. James joined MRG in July 2016. He is a strong leader, an advocate of operational excellence and has been responsible for the construction, commissioning and operational leadership of the Dandenong Facility.
- Daniel Turner, as Head of Farming Operations, will be responsible for all Group farming operations in Sunraysia. Daniel's involvement in the agriculture industry, largely focused on operational leadership of large scale viticulture and farm management, spans more than 20 years. Daniel brings with him a long operating history in the dried vine fruit, wine grape and citrus industry, with extensive experience in people and crop management. Daniel joined MRG in December 2015. He is a proven leader of people and large-scale farming operations and has been responsible for the management, growth and implementation of organic status of the Colignan vineyard.

Daniel will continue to be supported by the Head of Agronomy, Bill Avery.

James and Daniel have many years of operational leadership experience. Coupled with their personal dedication, energy and enthusiasm they will be valuable members of MRG's management team.

The Board of MRG further announced it intends to commence a search for an additional Non-Executive Director to complement the skillsets of the current Directors.

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Outlook

Commenting on the outlook for MRG, Mr Sorensen said, "FY17 was a pivotal year for MRG as we set out to grow and build a resilient and sustainable business that can deliver significant value for its shareholders. The Company has a strong asset base with significant valuable embedded growth plus option for further development. The brand, distribution and packaging activities of the business are performing strongly, providing the business with diversified revenue streams."

"With the key pillars of the business now in place, and a stronger balance sheet that provides flexibility, management is completely focused on maximising profit, and realising synergies from the existing operations. We have everything in place as we head into FY18 with renewed confidence and an absolute commitment to a better outcome for shareholders."

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About Murray River Organics

Murray River Organics Group Limited (ASX; MRG) is a leading Australian producer, manufacturer, marketer and seller of certified organic, natural and better-for-you food products. We service the organic, natural and healthy food and snack market globally. Our customers include industrial customers (such as cereal manufacturers, bakeries and confectionary manufacturers), retail customers (such as supermarkets, organic food stores, mass-market, e-commerce retailers and convenience stores) and food service channels (such as specialty and natural food distributors). We operate both in the domestic and international markets, with customers in 26 countries.

For further information please visit www.murrayriverorganics.com.au

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