



# Prospectus.

Murray River Organics Group Limited  
ACN 614 651 473

A 3 for 11 pro-rata non-renounceable entitlement offer of Murray River Organics Group Limited (**Company**) ordinary shares (**New Shares**) at an offer price of \$0.30 per New Share (**Offer Price**) to raise up to \$7.1 million (**Entitlement Offer**), which is being conducted in conjunction with a placement to certain institutional investors of New Shares in the Company at the Offer Price, to raise up to \$5.0 million (**Placement**).

The Entitlement Offer closes at 5.00pm (Melbourne time) on 18 September 2017 (unless extended).

The Placement and the Entitlement Offer are fully underwritten by Morgans Corporate Limited and PAC Partners Pty Ltd (**Underwriters**).

## NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This Prospectus is a prospectus issued in accordance with sections 710 and 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, but refers to information in a prospectus previously issued by the Company and lodged with ASIC which is deemed to be incorporated by reference into this Prospectus. This Prospectus requires your immediate attention. It is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read in their entirety. Please consult your stockbroker, accountant or other professional adviser if you have any questions.

**Important  
notice.**

## Important Notice

### NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

This Prospectus relates to the Entitlement Offer and the Placement which are being conducted by Murray River Organics Group Limited (**Company**) to raise up to \$12.1 million. Capitalised terms in this section have the meaning given to them in this Prospectus. This Prospectus is issued by the Company.

### Lodgement

This Prospectus is dated 28 August 2017 and was lodged with ASIC on that date. None of ASIC, the ASX or their respective Officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company has applied to ASX for quotation of the New Shares on ASX.

This Prospectus expires on the date which is 13 months after the date of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### Purpose of this Prospectus

This Prospectus is a prospectus issued in accordance with sections 710 and 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in documents that have been lodged with ASIC.

On 15 February 2017, the Company was granted relief by ASIC under section 340(1) of the Corporations Act from the requirement to comply with section 323D(5) of the Corporations Act pursuant to ASIC Instrument 17-0140. The relief was obtained to align the Company's reporting obligations under the ASX Listing Rules with the reporting periods of the other companies in the Group (**Financial Reporting Relief**). In light of the Financial Reporting Relief, the Company is not currently able to issue a cleansing notice under section 708AA(2)(f) of the Corporations Act (in respect of the Entitlement Offer) or section 708A(5) of the Corporations Act (in respect of the Placement). This Prospectus has therefore been issued for the purposes of complying with section 706 of the Corporations Act in respect of the Placement and the Entitlement Offer.

### Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. You should carefully consider this Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in New Shares.

Some of the risk factors that should be considered by investors are set out in Section 6. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the New Shares.

No person is authorised to give any information or make any representation in connection with the Entitlement Offer, the Entitlements or the Placement which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or its Directors.

## **No cooling-off rights**

Cooling-off rights do not apply to an investment in New Shares acquired under the Prospectus. This means that, in most circumstances, you cannot withdraw your application to acquire New Shares under this Prospectus once it has been accepted.

## **Obtaining a copy of this Prospectus**

The Entitlement Offer and Placement constituted by this Prospectus in electronic form at [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au) is available only to persons within Australia or certain persons in jurisdiction authorised by the Company. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Subject to the foregoing, the Prospectus is not available to persons in other jurisdictions (including the United States). Persons having received a copy of this Prospectus in its electronic form may, before the Entitlement Offer closes, obtain a paper copy of this Prospectus (free of charge) by telephoning the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00am and 5.00pm Monday to Friday.

Applications for New Shares may only be made on an Entitlement and Acceptance Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Entitlement and Acceptance Form onto another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus.

## **Statements of past performance**

This Prospectus includes information regarding the past performance of Murray River Organics. Investors should be aware that past performance is not indicative of future performance.

## **Financial performance**

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is set out in Section 5. All references to FY2014, FY2015, FY2016, FY2017, FY2018 and FY2019 appearing in this Prospectus are to the financial years ended or ending 30 June 2014, 30 June 2015, 30 June 2016, 30 June 2017, 30 June 2018 and 30 June 2019 respectively, unless otherwise indicated.

The historical financial information incorporated by reference in Section 2.2 was prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and the accounting policies of the Company, unless otherwise stated.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

## **Future performance and forward looking statements**

This Prospectus contains certain “forward looking statements” and comments about future matters. Forward looking statements can generally be identified by the use of forward looking words such as “expect”, “anticipate”, “likely”, “intend”, “propose”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target”, “outlook”, “guidance”, and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer

and the Placement and the use of proceeds. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements. Any such statements, opinions and estimates in this Prospectus speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward looking statements contained in this Prospectus are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Murray River Organics, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the key risks outlined in Section 6 of this Prospectus for a non-exhaustive summary of certain general and specific risk factors that may affect Murray River Organics. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the key risk factors outlined in Section 6 of this Prospectus. Investors should consider the forward looking statements contained in this Prospectus in light of those risks and disclosures.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus uses market data, industry estimates and projections. The Company has based some of this information on market research prepared by third parties. The information contained in the projections and reports of third parties includes assumptions, estimates and generalisations that Murray River Organics believes to be reliable, but the Company cannot guarantee the completeness of such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors as set out in Section 6. This information should not be used as a basis for investments and should not be considered as an opinion as to the value of any security or advisability of investing in New Shares.

To the maximum extent permitted by law, the Company and its Officers, employees, agents, associates and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of such forward looking statements, or likelihood of fulfilment of any forward looking statement, and disclaim all responsibility and liability for these forward looking statements (including, without limitation, liability for negligence).

The forward looking statements are based on information available to the Company as at the date of this Prospectus. Except as required by law or regulation (including the ASX Listing Rules), the Company has no obligation to supplement, revise or update any forward looking statements, regardless of whether new information, future events or results or other factors affect the information contained in this Prospectus.

### **Photographs and diagrams**

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Murray River Organics. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

### **No representation other than in this Prospectus**

No person is authorised to provide any information or to make any representation in connection with the Placement or the Entitlement Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

## Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the glossary in Section 11.

Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne time.

## Disclaimer

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

It is expected that the New Shares will be quoted on the ASX on a deferred settlement basis. The Company, the Company's share registry Computershare Investor Services Pty Limited (**Share Registry**) and the Underwriters disclaim all liability, whether in negligence or otherwise, to persons who trade New Shares before receiving their holding statements.

## Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares, the Placement or the Entitlement Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States. In particular, the New Shares and the Entitlements have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**) or the securities laws of any state of the United States and may not be offered or sold in the United States unless the New Shares are registered under the US Securities Act, or are offered or sold in a transaction exempt from, or not subject to the registration requirements of the US Securities Act and applicable US state securities laws.

See Section 8.14 for more detail on the restrictions on distribution and selling restrictions that apply to the offer and sale of New Shares in jurisdictions outside Australia.

## References to “you” and “your Entitlement”

In this Prospectus, references to “you” are references to Eligible Shareholders and references to “your Entitlement” (or “your Entitlement and Acceptance Form”) are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Shareholders.

## Privacy

As a shareholder, the Company and the Share Registry have already collected certain personal information from you. By filling out the Entitlement and Acceptance Form to apply for New Shares, the Company through the Share Registry, which is contracted by the Company to manage Applications, may update that personal information or collect additional personal information. The Company and the Share Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a shareholder, providing facilities and services that you need or request and carrying out appropriate administration.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of Murray River Organics may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the New Shares and for associated actions.

In most cases you can gain access to your personal information held by the Share Registry on behalf of the Company. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information held by the Share Registry on behalf of the Company by contacting the Share Registry as follows:

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria, 3067  
Tel: +61 3 9415 4000  
Email: [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

#### **Use of trademarks**

This Prospectus includes the Group's registered and unregistered trademarks. All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners.

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**Key  
Details.**

## Key dates for the Entitlement Offer and the Placement

Key offer details	
Total number of New Shares offered under the Prospectus	40.4 million
Total Offer proceeds	\$12.1 million
Number of New Shares offered under the Placement	16.6 million
Number of New Shares offered under the Entitlement Offer	23.8 million
Offer Price	\$0.30
Offer Ratio	3 for 11
Total number of Shares on issue on Completion of the Offer	127.4 million

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in New Shares. In particular, Section 5 sets out in detail the Financial Information referred to in this Prospectus, the basis of preparation of that information, the Statutory Historical Financial Information and Pro Forma Historical Financial Information, certain financial metrics and details of the Company's indebtedness and dividend policy. Section 5 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

Key offer details	
Prospectus lodgement date	Monday, 28 August 2017
Announcement of the Placement results	Wednesday, 30 August 2017
Record Date for the Entitlement Offer	7.00pm (Melbourne time) Monday, 4 September 2017
Settlement Date for the Placement	Monday, 4 September 2017
Allotment of New Shares under the Placement	Tuesday, 5 September 2017
Normal trading of New Shares under the Placement to commence on ASX	Wednesday, 6 September 2017
Dispatch of holding statements for New Shares under the Placement	As soon as reasonably practicable after allotment of the New Shares under the Placement
Entitlement Offer opens	10.00am (Melbourne time) Thursday, 7 September 2017
Prospectus dispatched	By 5.00pm (Melbourne time) Thursday, 7 September 2017
Entitlement Offer closes	5.00pm (Melbourne time) Monday, 18 September 2017
Settlement Date for the Entitlement Offer	Friday, 22 September 2017
Allotment of New Shares under the Entitlement Offer	Monday, 25 September 2017
Normal trading of New Shares under the Entitlement Offer to	Tuesday, 26 September 2017

commence on ASX	
Dispatch of holding statements for New Shares under the Entitlement Offer	As soon as reasonably practicable after allotment of the New Shares under the Entitlement Offer

\* The timetable above is indicative only and is subject to change. The Company reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases), to close the Entitlement Offer early and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares under the Entitlement Offer.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted. Eligible Shareholders wishing to participate in the Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Entitlement Offer opens. Participants in the Placement will be separately advised of the application procedures for applications under the Placement.

The commencement of quotation of New Shares is subject to confirmation from ASX.

# **Chairman's Letter.**

# Letter from the Chairman

28 August 2017

Dear Shareholder,

## **Murray River Organics Group Limited (ASX: MRG) – Entitlement Offer and Placement**

On behalf of the Board of Murray River Organics Group Limited, I am pleased to invite you to participate in a 3 for 11 pro-rata non-renounceable entitlement offer of New Shares at an Offer Price of \$0.30 per New Share.

The Company has today announced its intention to raise up to \$12.1 million, comprised of \$7.1 million via the Entitlement Offer and \$5.0 million via the Placement. The Entitlement Offer and the Placement are fully underwritten by Morgans and PAC Partners. The Offer Price of \$0.30 per New Share under the Entitlement Offer is the same issue price to be paid by institutional investors under the Placement.

The proceeds from the Entitlement Offer and the Placement will be applied to reduce debt, for working capital purposes and towards the costs of the Entitlement Offer and the Placement.

The Directors have advised they intend to take up their full entitlements under the Entitlement Offer.

FY2017 was a year of significant investments and consolidation for Murray River Organics. The investments made and the consolidation efforts were specific and important steps in the execution of the Company's strategy for Murray River Organics to become a globally leading producer, marketer, manufacturer and seller of certified organic, natural and better-for-you food products. In the Board's reflection of FY2017 we acknowledge that execution of the Company's strategy can be further improved.

Following a Board review of Murray River Organics' organisational structure, and with many of the major investments now in place that will shape the future of Murray River Organics, the Company has made changes to its management structure. These changes have been put in place to deliver efficiencies, drive consistency of processes and ensure focus across all aspects of the business. These changes will also see our co-founder, Chief Operating Officer and Executive Director, Jamie Nemtsas, relinquishing his roles, effective today. On behalf of the Board, I would like to sincerely thank Jamie for his contribution to Murray River Organics since its foundation. The Company, which Jamie has helped found and grow, is impressive in scale and potential. The Board is proud to continue to govern the business to its exciting and full potential. We wish Jamie all the best of success in his future endeavours. Additionally, I can advise the Board intends to commence a search for an additional Non-Executive Director to complement the skillsets of the current Directors.

Since Murray River Organics' IPO in December 2016, the Company has made a great deal of progress towards the implementation of its strategy:

- Completion of the commissioning, fitting out (from scratch) and obtaining all required certifications of the Company's Dandenong Facility. This has provided the Company with a new organically certified six-packaging-room consumer packed goods facility, accredited to what we believe are some of the highest food safety standards in the world and thereby enabling the supply of Murray River Organics' large, and growing, range of certified organic, natural and better-for-you products to customers globally;
- Full integration of the businesses, customers, suppliers, and brands of Food Source International and Australian Organic Holdings, including the closure and subletting of two warehouses in Sydney that Murray River Organics assumed when it acquired the business of

Australian Organic Holdings, and moving all packaging previously undertaken by the businesses of Food Source International and Australian Organic Holdings to Murray River Organics' Dandenong Facility;

- The acquisition and integration of the Fifth Street vineyard and the Nangiloc property. The Company now owns or controls and operates a very large portfolio of 12,253 acres of productive, maturing and development farmland. This secures Murray River Organics' significant future growth, from its maturing acreage, on which the majority of required capital expenditure has already been invested, and provides additional future growth options for the Company, through its development farmland;
- The conversion in 2017 of 476 acres from wine grapes to certified organic dried vine fruit and the installation of additional irrigation pumping capacity, irrigation lines and ramping posts, in preparation for the 468 acre greenfield planting of dried vine fruit which will commence in the Spring of 2017. Both of these projects have taken place at the Colignan vineyard and will only improve what was already a very large scale high quality asset for production of certified organic dried vine fruit;
- The investment of \$5.4 million into the ongoing consolidation and significant further improvement of the Company's Sunraysia Facility in Mourquong, NSW where Murray River Organics' dried vine fruit is sorted, dried (when required), stored, processed, packed and dispatched direct to Australian and overseas customers. The further improvements of the Sunraysia Facility have included constructing a 4,950 square metre concrete floor warehouse to house the Company's increasing storage requirements and additional processing equipment to facilitate more efficient processing. The benefits that are expected to arise from the consolidation and upgrades include:
  - savings in operational expenses;
  - improved product quality;
  - reduction in the number of bin movements by an estimated 70%;
  - improved management, through more efficient handling, of wet fruit; and
  - increase in processing speed.

The upgrade and consolidation of the Sunraysia Facility is expected to be complete by mid-September 2017. Murray River Organics intends to sell its facilities at Walnut Avenue and at Benetook Avenue following completion of the Sunraysia Facility update and consolidation; and

- The implementation of a Group-wide single-solution ERP (SAP), thereby consolidating the use of four previously utilised systems, and enabling improved reporting and analysis to assist management drive efficiencies across the business.

These many and significant achievements do not take away from the disappointment everyone at Murray River Organics has felt in areas where expectations and forecasts have not been met.

- The crop from our own vineyards was significantly lower than anticipated. Unusually cold and wet weather in the Spring had a significant adverse effect on many agricultural products harvested or intended to be harvested in FY2017, and dried vine fruit in the Sunraysia region was not spared. Improved progress-monitoring processes throughout the season, stricter cutting and harvest procedures and improved drying, sorting and processing equipment are the key mitigating steps the Company have put in place to counter future similar events.
- Some of the delays experienced were outside the control of the Company and some, in hindsight, required better planning and better progress reporting. The Company continues to upskill the people it employs, at all levels of the organisation, it continuously instils and improves its processes and it will be engaging with external industry-leading or subject-matter experts where required. The Board of the Company believes that with these changes in place future implementation will be improved.

- Improved growing, harvesting, processing and packaging processes, and better reporting against each of these steps, are being put in place to improve product quality and likelihoods of reducing value of inventory, such as occurred with the write down of some Cluster inventory to loose fruit at half year FY2017.

With total assets of \$148.9 million<sup>1</sup> Murray River Organics has invested significantly to ensure its ongoing and future ability to service the large and fast growing global market for organic food.

With significantly lower future capital expenditure planned or required, Murray River Organics' focus is on completing existing growth and efficiency projects to drive profit and efficiencies throughout the business.

The Offer to raise up to \$12.1 million, as announced today, will strengthen the Company's balance sheet and, together with the ongoing maturity of Murray River Organics' operations, provide a robust base from which to continue to drive profit and growth.

### **Entitlement Offer**

Under the Entitlement Offer, Eligible Shareholders are entitled to subscribe for 3 New Shares at the Offer Price for every 11 fully paid ordinary Shares held at 7.00pm (Melbourne time) on the Record Date of 4 September 2017. A maximum of 23.8 million New Shares will be issued under the Entitlement Offer. New Shares will rank equally with existing Shares in all respects from the date of issue.

The Offer Price of \$0.30 per New Share 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 Entitlement Offer is fully underwritten by the Underwriters. For more information on the underwriting arrangements, see Sections 10.3 and 10.8 of this Prospectus.

The Entitlement Offer closes at 5.00pm (Melbourne time) on 18 September 2017 (unless extended).

### **Prospectus**

This Prospectus contains important information about the Entitlement Offer and the Placement, including:

- Key dates
- Summary of options available to you
- Entitlement Offer and Placement details & how to apply for New Shares under the Entitlement Offer
- Important information about Murray River Organics and the New Shares that you should carefully consider, before deciding whether to participate in the Offer
- Entitlement and Acceptance Form

### **Taking up your Entitlement**

To participate in the Entitlement Offer, you need to ensure that your personalised Entitlement and Acceptance Form is completed in accordance with the instructions provided on the form and the instructions in this Prospectus under "Offer details & how to apply".

To participate, you must ensure that you have completed your application by paying Application Monies by BPAY® before 5.00pm (Melbourne time) on 18 September 2017 or by lodging your completed Entitlement and Acceptance Form with your Application Monies paid by cheque or bank draft, so that they are received by the Share Registry before 5.00pm (Melbourne time) on 18 September 2017.

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<sup>1</sup> Pro forma total assets as at 30 June 2017. Refer to Section 5.5.1.



If you do not wish to take up any of your Entitlement, you do not have to take any action.

**Further information and application instructions**

Further details of the Entitlement Offer, as well as the key risks associated with investing in the Offer are set out in this Prospectus (refer to the key risks outlined in Section 6 of this Prospectus) which I encourage you to read carefully and in its entirety.

You should consult your stockbroker, accountant, or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

If you have any questions about the Entitlement Offer, please call the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00am and 5.00pm Monday to Friday or visit the Murray River Organics website at [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au).

On behalf of the Board of Directors and management team of Murray River Organics, I invite you to consider this investment opportunity and thank you for your continued support.

**Yours faithfully**

A handwritten signature in black ink, appearing to read 'Craig Farrow', written in a cursive style.

**Craig Farrow  
Chairman**

# **1. Investment overview.**

# 1. Investment overview

## 1.1 Overview of Murray River Organics and key features of its business model

Topic	Summary	Further information
<b>Who is Murray River Organics?</b>	<p>Murray River Organics is an Australian producer, marketer, manufacturer and seller of certified organic, natural and better-for-you food products.</p> <p>Murray River Organics has a portfolio of certified organic and natural products, which are sold globally. Its products include dried vine fruit, table grapes, citrus fruit, nuts, coconut products, seeds, grains, rice and spreads. Murray River Organics' product range is targeted at the rising consumer demand globally for organic, natural and better-for-you foods.</p> <p>Murray River Organics is committed to growing the Group sustainably, whilst continuing to implement environmentally sound farming and business practices and manufacturing processes to help provide consumers globally with the opportunity to maintain a healthier way of eating, snacking and living.</p>	<i>Section 4</i>
<b>What is Murray River Organics' history?</b>	<p>Murray River Organics was founded in 2010 with the acquisition of a 72 acre certified organic dried vine fruit vineyard in Merbein, Victoria, and has grown to now owning or controlling 12,253 acres of farmland.</p> <p>Murray River Organics owns a certified organic processing facility in Mourquong, NSW. In addition, Murray River Organics has established an organically certified packaging, value-add and pick-pack facility in Dandenong, Victoria.</p> <p>During the first half of FY2017, Murray River Organics completed the acquisitions of the business of Food Source International, the business of Australian Organic Holdings (including its brands Pacific Organics and Nutritious Foods) and the Fifth Street vineyard.</p> <p>On 25 July 2017, the Company completed the acquisition of a 7,515 acre property, referred to as Nangiloc, located adjacent to its Colignan vineyard in Victoria.</p> <p>Murray River Organics is also in advanced negotiations to acquire a 6.8 acre property at 130 Link Road, Mourquong, NSW. The property is located directly adjacent to the Company's existing Mourquong processing facility, and will facilitate the consolidation of Murray River Organics' existing facilities in the Sunraysia region (see Section 4.3.5 for further detail). Subject to entry into binding documentation, settlement of the property is expected to occur during Q4 2017.</p> <p>Murray River Organics intends to continue to grow both organically, through a continued focus on expanding and deepening customer relationships, product innovation and servicing new markets and geographies, as well as through the acquisition of complementary</p>	<i>Section 4.1 and 4.3.2</i>

Topic	Summary	Further information
	certified organic, natural and better-for-you primary production assets, brands, food product companies and product lines.	
<b>In what market does Murray River Organics operate?</b>	<p>Murray River Organics operates in the organic, natural, and better-for-you food and snack market.</p> <p>Murray River Organics operates both in the domestic and international markets, with customers in 26 countries.</p> <p>Murray River Organics' 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 speciality and natural food distributors).</p> <p>Murray River Organics has a broad customer base, with its key customers being two major Australian supermarkets.</p>	<i>Section 4.5</i>
<b>What is Murray River Organics' business model and how does it generate revenue?</b>	<p>Murray River Organics uses various degrees of vertical integration of its product lines through integrated farming or supply arrangements, processing, packing and marketing operations.</p> <p><b>Farming</b></p> <p>Murray River Organics owns or controls 12,253 acres of farmland, in the Sunraysia region of Australia.</p> <p>From the Group's farming operations a total of 4,760 acres are planted or planned to be planted. 2,790 acres are planted or planned to be planted with dried vine fruit, 620 acres are planted or planned to be planted with Clusters / table grapes, 391 acres are planted or planned to be planted with citrus, 65 acres are planted with wine grapes and 763 acres are planted with chick peas. See Section 4.3.3 for further details.</p> <p><b>Supply arrangements</b></p> <p>Murray River Organics uses third party suppliers for raw materials and finished goods consumed in its farming, harvesting, processing and packaging activities. For farming, raw materials include fish hydrolysate, humic acid, liquid gypsum and kelp. For harvesting, raw materials include potassium carbonate and organic vegetable oil. For packaging, raw materials include organic high oleic sunflower oil and the products listed in Section 4.2, and finished goods include cartons, liners, doy bags and form fill.</p> <p>Murray River Organics has established a broad and global network of suppliers for its business, which includes large multinational organisations, privately owned international businesses and family owned operations.</p> <p><b>Processing and packing</b></p> <p><u><i>Sunraysia Processing Facility</i></u></p> <p>Murray River Organics' key processing facility is located centrally to its vineyards in Mourquong, NSW (<b>Sunraysia Facility</b>). At the Sunraysia Facility, dried vine fruit is sorted, dried (when required), stored, processed,</p>	<i>Section 4.3 and 4.5</i>

Topic	Summary	Further information
	<p>packed and dispatched direct to Australian and overseas customers.</p> <p>The Sunraysia Facility has been designed to meet future demand for capacity and has the capacity to process approximately 15,000 tonnes of dried vine fruit in bulk and approximately 1,000 tonnes of Clusters per year.</p> <p>Murray River Organics is undertaking a project to upgrade the Sunraysia Facility and consolidate its other facilities (so that all of Murray River Organics' dried vine fruit and Cluster products are processed and stored at the one site). For further details, see Section 4.3.5. The upgrade and consolidation of the Sunraysia Facility is expected to be complete by mid-September 2017.</p> <p><u><i>Fifth Street Processing Facility</i></u></p> <p>The Fifth Street vineyard includes a fully equipped 4,818 square metre table grape pack-out facility. The facility is accredited for export dispatches, and is utilised as a dedicated table grape processing and storage facility.</p> <p><u><i>Dandenong Packaging Facility</i></u></p> <p>Murray River Organics operates an organically certified packaging, value-add and pick-pack facility in Dandenong, Victoria (<b>Dandenong Facility</b>).</p> <p>The Dandenong Facility is a 4,219 square metre facility, which enables Murray River Organics to service the industrial, retail and food service markets globally, without having to rely on external parties to undertake the packaging.</p> <p>The corporate office of the Group is located at the Dandenong Facility.</p> <p><b>Sales and marketing</b></p> <p>Murray River Organics generates revenue by selling its products to the industrial market, retail market and food service market.</p> <p>Murray River Organics' international sales and marketing team is coordinated from Melbourne, Victoria.</p> <p>Utilising its sales representatives and its Melbourne based sales, marketing and distribution staff, Murray River Organics now sells its products into 26 countries where it services industrial customers, retail customers and food service channels.</p> <p>The benefits Murray River Organics seeks to derive from this vertically integrated model include:</p> <ul style="list-style-type: none"> <li>• reduced costs through economies of scale;</li> <li>• improved control over inputs, processes and quality, thereby reducing uncertainty;</li> <li>• improved efficiencies through optimal resource and staff allocation;</li> </ul>	

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>• assisting with growth across products, channels &amp; regions; and</li> <li>• greater competitive advantage through added expertise across the supply chain, thus raising barriers to entry for potential competitors.</li> </ul>	
<b>What is Murray River Organics' strategy?</b>	<p>Murray River Organics is seeking to grow:</p> <ul style="list-style-type: none"> <li>• organically through the ongoing development and expansion of its existing producing assets and vineyards;</li> <li>• through a continued focus on expanding and deepening customer relationships, driving product innovation and servicing new markets and geographies; and</li> <li>• through the disciplined acquisition of complementary productive assets, businesses, products and brands.</li> </ul> <p>In particular, Murray River Organics intends to continue to:</p> <ul style="list-style-type: none"> <li>• focus on organic, natural and better-for-you food products that have multiple uses and a long shelf life;</li> <li>• seek to drive efficiencies from various degrees of vertical integration of its product lines through integrated farming, processing, packing and marketing operations;</li> <li>• provide innovative and convenient packaging; and</li> <li>• seek to leverage the clean and safe image of Australian produce.</li> </ul> <p>Consistent with the Group's strategy, refer to Section 4.8 for a summary of Murray River Organics' achievements since its IPO (which includes the full integration of the businesses of Food Source International and Australian Organic Holdings, the acquisition and integration of the Fifth Street vineyard and Nangiloc property, the conversion of 476 acres from wine grapes to dried vine fruit and the preparation (from greenfield) to commence planting 468 acres to dried vine fruit at its Colignan vineyard, its ongoing consolidation of the Sunraysia Facility and the commissioning, fit out and certification of the Company's Dandenong Facility and the implementation of the Company-wide single-solution ERP (SAP)).</p> <p>The Company believes this strategy will enable it to build on its current scale and capitalise on growing demand in its target markets.</p>	<i>Section 4.8</i>

## 1.2 Key strengths

Topic	Summary	Further information
<b>Strong underlying market fundamentals</b>	<p>The demand for certified organic, natural, better-for-you and safe food is driven by population growth and the aging population trend, the prevalence of chronic disease and higher healthcare expenditure, urbanisation and higher disposable incomes, as well as higher consumer</p>	<i>Section 2.2</i>

Topic	Summary	Further information
	<p>awareness of the impact of food on health and safety.</p> <p>The global market for certified organic food and drink that Murray River Organics services has grown from \$50.2 billion in 2006 to \$104.0 billion in 2014; at a CAGR of 9.5%.<sup>2</sup> This growth is significantly higher than the 3.6% growth for the total food and beverage market from 2014 to 2015.<sup>3</sup></p> <p>Within the global snack food market, which is forecast to reach \$826.4 billion by 2020,<sup>4</sup> one of the fastest growing segments is that of healthy snack foods.<sup>5</sup></p> <p>Its proximity to Asia, and its reputation in that market as a source of safe and high-quality products, puts Australia in a strong position to realise the opportunity of increased demand from the burgeoning Asian middle class (with Asia forecast to account for 66% of the global middle class population by 2030).<sup>6</sup></p>	
<b>Leading market position in attractive food category with unique characteristics</b>	<p>Murray River Organics controls 12,253 acres of farmland in the Sunraysia region of Australia. Its 2,790 acres of planted or planned to be planted dried vine fruit, 620 acres of planted or planned to be planted Clusters / table grapes, 391 acres of planted or planned to be planted citrus, 65 acres of planted wine grapes and 763 acres of planted chick peas make it the largest vertically integrated dried vine fruit producer and marketer in Australia, and the largest vertically integrated certified organic dried vine fruit producer in the world.</p> <p>With this current capacity in certified organic dried vine fruit, Murray River Organics aims to become a leader in the certified organic, natural and better-for-you food product categories.</p> <p>Murray River Organics holds a growing portfolio of products including dried vine fruit, table grapes, citrus fruit, nuts, coconut products, seeds, grains, rice and spreads. Its products are currently sold into 26 countries.</p> <p>Murray River Organics services industrial customers, retail customers and the food service market.</p> <p>In the second half of FY2017, Murray River Organics completed the establishment of its Dandenong Facility, a new organically certified six-packaging- rooms facility. The Dandenong Facility enables Murray River Organics' operations to directly supply customers globally with a broader range of certified organic, natural and better-for-you food products.</p>	<b>Section 4.2, 4.3 and 4.5</b>

<sup>2</sup> The Global Market for Organic Food & Drink, Organic Monitor, 2011

<sup>3</sup> 2015 Outlook of the Global Food and Beverage Market, Frost & Sullivan, May 2015

<sup>4</sup> Snack Foods - A Global Strategic Business Report, Global Industry Analysts, Inc., November 2015

<sup>5</sup> [http://www.strategyr.com/MarketResearch/Snack\\_Foods\\_Salted\\_Baked\\_Frozen\\_Snacks\\_Market\\_Trends.asp](http://www.strategyr.com/MarketResearch/Snack_Foods_Salted_Baked_Frozen_Snacks_Market_Trends.asp) accessed 05 September 2016

<sup>6</sup> The long-term global growth rate for organic food is 9.5% and the compound annual global growth rate of healthy snack food has outpaced the overall food and beverage market by 4.7% (Source: IRI's "InfoScan Reviews" (2016), Simmons National Consumer Study (fall 2015), Packaged Facts' National Consumer Survey (2016)).

<sup>6</sup> OECD Development Center, [http://www.oecdobserver.org/news/fullstory.php/aid/3681/An\\_emerging\\_middle\\_class.html](http://www.oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html), accessed 06 September 2016

Topic	Summary	Further information
<b>Vertical integration</b>	Murray River Organics uses various degrees of vertical integration on its product lines through integrated farming, processing, product innovation, packing and marketing operations. Through this integration the Group seeks to capture additional margins throughout the supply chain.	<i>Section 4.3</i>
<b>Competitive differentiation</b>	<p>Murray River Organics operates in a global and growing market place. Its points of competitive differentiation include:</p> <ul style="list-style-type: none"> <li>• Owning and operating a large portfolio of productive certified organic farmland;</li> <li>• A business model that allows for scalable growth: <ul style="list-style-type: none"> <li>○ Due to the maturity profile of the vineyards within its farming operations and the capacity of its Mourquong Facility, Murray River Organics has the potential for significant growth in productive capacity embedded in its dried vine fruit and table grape operations.</li> <li>○ The significant scale of unplanted arable land at the Nangiloc property, suitable for development to grow a range of crops such as tree nuts, citrus, vines, grains, ancient grains and high protein beans and legumes provides Murray River Organics with a number of future growth options.</li> <li>○ The scale of Murray River Organics' operations allows for operational innovation and driving of economies of scale.</li> <li>○ A focus on products that service the growing global organic, natural and better-for-you food markets, including new product innovation.</li> </ul> </li> <li>• Murray River Organics has a proven history of identifying opportunities for conversion of conventional farmland to certified organic dried vine fruit production, utilising its understanding and experience of relevant viticulture and organic farming practices.</li> <li>• Murray River Organics has the benefit of a highly experienced Management Team with a proven track record in growing the business organically and through acquisitions.</li> </ul>	<i>Section 4.1 and 4.8</i>

### 1.3 Key risks

The business, assets and operations of the Group are subject to certain risk factors that have the potential to influence future operating and financial performance. These risks may have an impact on the value of an investment in Shares.

The Board aims to manage these risks by carefully planning its activities and implementing mitigating risk control measures. Some risks are unforeseeable and so the extent to which these risks can be effectively managed is somewhat limited.

Set out below are specific key risks to which Murray River Organics is exposed. Further general risks associated with an investment in the Group are outlined in Section 6.



Topic	Summary	Further information
<b>Yields and climate</b>	<p>There are a number of factors that may affect the yield of viticultural crop, and yields may vary from vine to vine and harvest to harvest, which may impact Murray River Organics' performance.</p> <p>In particular, as an agricultural producer, climate change or prolonged periods of adverse weather and climatic conditions (including floods, hail, drought, water, scarcity, temperature extremes, frosts, earthquakes and pestilences) may have an adverse effect on agricultural productivity, decreased availability or less favourable pricing for certain commodities necessary for the Group's products. Such conditions may also lower crop yields and reduce crop size and quality, which could reduce availability of organic ingredients or increase the price of such ingredients sourced from third parties.</p>	<i>Section 6.2.1</i>
<b>Water supply</b>	<p>Adequate water supply is critical to the success of Murray River Organics to grow crops. There is a risk that the Group's operations may be exposed to natural events, many of which are outside the control of Murray River Organics, including floods, storms, fire and other adverse environmental changes.</p> <p>In particular, such natural events could result in changes in water quality (including salinity levels in the Murray River and Darling River), which may impact Murray River Organics' operations.</p> <p>In addition, unexpected changes in climatic conditions may affect future allocation, availability of water entitlements, or the price of water which may result in restrictions on Murray River Organics' access to water for its operations.</p>	<i>Section 6.2.2</i>
<b>Uncontracted sales arrangements</b>	<p>Murray River Organics' growth is dependent on successfully maintaining existing, and securing new customers. A significant proportion of Murray River Organics' revenue is currently attributable to uncontracted customer relationships, using Murray River Organics' or the customers standard terms and conditions of sale. There is a risk that the Group will be unable to maintain these customer relationships, or secure new customers, on terms that are acceptable to the Group. In addition, it is not possible to guarantee consistency in respect of volume, prices and terms for future transactions.</p>	<i>Section 6.2.3</i>
<b>Short term customer contracts</b>	<p>Some of Murray River Organics' customer contracts are short term, with supply periods typically for one season or one year (which may depend on the product's seasonality), and the prices at which its products are sold are subject to fluctuation depending on the level of supply and demand at the time the products are sold. In addition, a significant proportion of these customer contracts do not have fixed or minimum volume requirements, and do not oblige customers to continue purchasing Murray River Organics' products.</p> <p>Murray River Organics' market share and/or profit margins could be materially and adversely impacted by customers taking actions that are</p>	<i>Section 6.2.4</i>

Topic	Summary	Further information
	<p>adverse to the Group's interests, including:</p> <ul style="list-style-type: none"> <li>materially changing its trading terms with Murray River Organics;</li> <li>promoting the products of one or more of Murray River Organics' competitors or new entrants into organic, natural or better-for-you food products; or</li> <li>refusing to promote or stock Murray River Organics' products or significantly reducing orders for its products.</li> </ul>	
<b>Loss of organic certification and deterioration in the Murray River Organics brand</b>	<p>The Group relies on independent certification, such as certifications of some of its products as "organic" to differentiate the Group's products from others. The loss of any independent certifications could adversely affect the Group's market position as a certified organic and natural products company and result in a loss of consumer confidence in the brands of Murray River Organics.</p> <p>In addition, a failure to provide customers with the quality of product they expect from Murray River Organics, or a recall issue could adversely affect consumer confidence in the Murray River Organics brand.</p>	<i>Section 6.2.5</i>
<b>Reduced ability to access raw materials (including organic ingredients)</b>	<p>The Group's ability to ensure continued supply of organic ingredients not grown by the Group from third parties at competitive prices is dependent on many factors beyond the Group's control, including (amongst other factors) the number and size of those farms growing organic crops, climate conditions and domestic and global economic conditions.</p> <p>For certain products, Murray River Organics competes with other manufacturers in the procurement of these organic products, which are more limited in supply than conventional product ingredients. Such competition may increase in future and limit the Group's ability to access sufficient raw organic ingredients.</p>	<i>Section 6.2.6</i>
<b>Consolidation of customers or the loss of a significant customer</b>	<p>Customers in certain markets in which the Group sells products, such as supermarkets and food distributors, continue to consolidate, which has resulted in larger organisations with increased negotiating and buying power. These larger organisations are able to resist price increases or demand increased promotional programs amongst other actions, which may negatively impact the level of product supplied by the Group to these customers.</p> <p>There is also a risk that the Group may lose customers for a number of reasons, and the loss of any large customer (particularly key customers such as major Australian supermarkets), the reduction of purchasing levels or the cancellation of any business from a large customer for an extended period of time may adversely affect the business.</p>	<i>Section 6.2.7</i>
<b>Loss or deterioration of supply arrangements</b>	<p>Suppliers to Murray River Organics' business may seek to alter the terms on which products are supplied, as well as the range of products supplied to the Group. This could adversely impact Murray River Organics' ability</p>	<i>Section 6.2.8</i>

Topic	Summary	Further information
	to successfully provide customers with a range of products at competitive prices.	
<b>Growth plans are unable to be executed as anticipated</b>	<p>Murray River Organics intends to continue to grow the Group's business in part through acquisition of new businesses and brands in Australia and internationally. There is a risk that Murray River Organics will not be able to successfully identify suitable acquisition candidates, negotiate acquisitions with identified candidates on terms acceptable to Murray River Organics or integrate acquisitions made by the Group.</p> <p>Additionally, businesses or brands may not achieve the level of sales or profitability that justify the investment made.</p>	<i>Section 6.2.9</i>
<b>Inability to obtain funding</b>	<p>The Company may require further debt or equity funding in the future in order to fund growth strategies, in particular, acquisitions.</p> <p>There is a risk that the Company may be unable to access debt or equity funding from the capital markets or its existing lenders on favourable terms, or at all.</p>	<i>Section 6.2.10</i>
<b>Failure to respond to changes in consumer trends</b>	<p>Murray River Organics' business is primarily focused on sales of organic, natural and better-for-you products which are subject to continually evolving preferences, which may change based on a number of factors.</p> <p>A shift in consumer demand away from products of the Group, or a failure by Murray River Organics to maintain its current market position could reduce sales or the value of its brands in those markets.</p>	<i>Section 6.2.11</i>
<b>Product liability</b>	<p>There is a risk that illness or injury to customers may result from inadvertent mislabelling, tampering by unauthorised third parties or product contamination or spoilage.</p> <p>Under certain circumstances, Murray River Organics may be required to recall or withdraw products, suspend production of products or cease operation and customers may also cancel orders for such products as a result of such events.</p>	<i>Section 6.2.12</i>
<b>Regulatory risk</b>	<p>The Group is required to comply with a range of laws and regulations, including in relation to environmental, occupational health and safety, quarantine, customs and tariff, taxation and employment laws. Non-compliance with such laws and regulations could have a material adverse effect on the business of the Group.</p> <p>In addition, as a public company listed on ASX, the Company is required to comply with the ASX Listing Rules and the Corporations Act, which may result in investigations and disputes by Federal and State regulatory bodies. ASIC has raised concerns with the Company's continuous disclosure compliance. ASIC's concerns relate specifically to the timing of the trading update released by the Company to ASX after close of trading on 4 May 2017, and whether this could (and should) have been released</p>	<i>Section 6.2.13</i>

Topic	Summary	Further information
	<p>late on 3 May 2017. Whilst the Company is fully co-operating with ASIC, the Company does not make any admission of liability or contravention in connection with its continuous disclosure practices.</p> <p>The Company has received an assessment from the Fair Work Ombudsman which alleges that the Company has underpaid 14 former employees, in aggregate, approximately \$12,800. These underpayments were rectified in March 2017. However, the Company also has a different view to the FWO on the award that was applicable to these former employees. The issue in dispute between the parties is currently before the Fair Work Commission as part of the Four Yearly Review of Modern Awards and so the FWO has agreed to await the outcome of that proceeding before progressing its inquiry.</p>	

## 1.4 Financial information and dividend policy

Topic	Summary	Further information																								
What is Murray River Organics' pro forma historical financial performance?	<table><tr><th>\$m</th><th>FY2015</th><th>FY2016</th><th>FY2017</th></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Revenue</td><td>7.8</td><td>51.9</td><td>62.6</td></tr><tr><td>EBITDA</td><td>0.5</td><td>8.5</td><td>6.4</td></tr><tr><td>EBIT</td><td>(0.5)</td><td>6.4</td><td>2.1</td></tr><tr><td>NPAT</td><td>(1.2)</td><td>3.4</td><td>(0.0)</td></tr></table>	\$m	FY2015	FY2016	FY2017					Revenue	7.8	51.9	62.6	EBITDA	0.5	8.5	6.4	EBIT	(0.5)	6.4	2.1	NPAT	(1.2)	3.4	(0.0)	Section 5.3
	\$m	FY2015	FY2016	FY2017																						
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	NPAT	(1.2)	3.4	(0.0)																						
<ul style="list-style-type: none"><li>The financial information presented above is intended as a summary only and should be read in conjunction with the more detailed discussion in Section 5 as well as the risk factors set out in Section 6.</li></ul>																										
<ul style="list-style-type: none"><li>The reconciliation between the pro forma and adjusted statutory historical results and pro forma and statutory forecast results is set out in Section 5.</li></ul>																										
What is Murray River Organics statutory historical financial performance?	<table><tr><th>\$m</th><th>FY2015</th><th>FY2016</th><th>FY2017</th></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Revenue</td><td>7.8</td><td>12.0</td><td>48.5</td></tr><tr><td>EBITDA</td><td>0.3</td><td>6.9</td><td>(0.6)</td></tr><tr><td>EBIT</td><td>(0.7)</td><td>5.0</td><td>(4.9)</td></tr><tr><td>NPAT</td><td>(1.4)</td><td>2.6</td><td>(6.0)</td></tr></table>	\$m	FY2015	FY2016	FY2017					Revenue	7.8	12.0	48.5	EBITDA	0.3	6.9	(0.6)	EBIT	(0.7)	5.0	(4.9)	NPAT	(1.4)	2.6	(6.0)	Section 5.3
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Topic	Summary	Further information
<b>What is the Company's dividend policy?</b>	<p>The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial position of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors that the Directors may consider relevant.</p> <p>It is the Directors' current intention to target a dividend payout ratio in the range of 30-50% of annual NPAT. The level of payout ratio is expected to vary between periods depending on various factors as discussed above. Should value accretive strategic growth, acquisition or investment opportunities arise, it may result in a dividend payout in the future that is less than the above target.</p> <p>The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from 1 July 2017 to 30 June 2018, and hence may become payable in FY2019.</p> <p>No assurances can be given by any person, including the Directors, about the payment of dividends and the level of franking or conduit foreign income on such dividends.</p> <p>Please read the risk factors as set out in Section 6.</p>	<i>Section 5.6</i>

## 1.5 Directors, Key Management Personnel and Management Team

3	Summary	Further information
<b>Who are the Directors of the Company?</b>	<ul style="list-style-type: none"> <li>• Craig Farrow, Independent Non-Executive Director, Chairman</li> <li>• Lisa Hennessy, Independent Non-Executive Director</li> <li>• Donald Brumley, Independent Non-Executive Director</li> <li>• Erling Sorensen, Non-Independent, Managing Director</li> </ul>	<i>Section 7.1</i>
<b>Who are the Key Management Personnel of Murray River Organics?</b>	<ul style="list-style-type: none"> <li>• Erling Sorensen, Non-Independent, Managing Director</li> <li>• Matthew O'Brien, Chief Financial Officer</li> </ul>	<i>Section 7.2</i>
<b>Murray River Organics' Management Team include</b>	<ul style="list-style-type: none"> <li>• James Tudehope, Head of Pack &amp; Processing Operations</li> <li>• Daniel Turner, Head of Farming Operations</li> <li>• Bill Avery, Head of Agronomy</li> </ul>	<i>Section 7.2</i>

3	Summary	Further information
the following	<ul style="list-style-type: none"> <li>Tim Wilson, Head of Food Technology, Food Safety and New Product Development</li> <li>Daniel Wilson, Head of Sales &amp; Operations Planning</li> <li>Carlos Gutierrez, Head of Procurement and Global Account Manager ALDI</li> <li>Ling Chen, Manager Sales, Major Retail Domestic</li> <li>Matthew O'Brien, Manager Sales, Other Retail Domestic and Pick &amp; Pack</li> <li>Benn O'Donohoe, Manager Sales, Industrial Global</li> <li>Adelyn Chee, Sales Manager</li> </ul>	

## 1.6 Significant interests of key people and stakeholders

Topic	Summary	Further information															
What significant benefits and interests are payable to Directors and other stakeholders connected with the Company?	<table> <tr> <th>Key people</th><th>Interest or benefit</th><th>Section</th></tr> <tr> <td>Craig Farrow</td><td>Director's fees Shares held in the Company</td><td>7.3.3 7.3.4</td></tr> <tr> <td>Lisa Hennessy</td><td>Director's fees Shares held in the Company</td><td>7.3.3 7.3.4</td></tr> <tr> <td>Donald Brumley</td><td>Director's fees Shares held in the Company</td><td>7.3.3 7.3.4</td></tr> <tr> <td>Erling Sorensen and associated entities</td><td>Remuneration Participation in incentive arrangements Shares held in the Company</td><td>7.3.2 7.3.4</td></tr> </table>	Key people	Interest or benefit	Section	Craig Farrow	Director's fees Shares held in the Company	7.3.3 7.3.4	Lisa Hennessy	Director's fees Shares held in the Company	7.3.3 7.3.4	Donald Brumley	Director's fees Shares held in the Company	7.3.3 7.3.4	Erling Sorensen and associated entities	Remuneration Participation in incentive arrangements Shares held in the Company	7.3.2 7.3.4	Section 7.3
Key people	Interest or benefit	Section															
Craig Farrow	Director's fees Shares held in the Company	7.3.3 7.3.4															
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Donald Brumley	Director's fees Shares held in the Company	7.3.3 7.3.4															
Erling Sorensen and associated entities	Remuneration Participation in incentive arrangements Shares held in the Company	7.3.2 7.3.4															

## 1.7 Overview of the Placement and the Entitlement Offer

Topic	Summary	Further information
What is the Offer?	<p>The Company intends to raise approximately \$12.1 million through the Offer.</p> <p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>the Placement of 16.6 million New Shares to raise up to \$5.0</li> </ul>	Section 8.1, 8.2 and 8.4

Topic	Summary	Further information																														
	<p>million; and</p> <ul style="list-style-type: none"><li>the 3 for 11 Entitlement Offer to Eligible Shareholders, to raise up to \$7.1 million,</li></ul> <p>at the Offer Price.</p> <p>All New Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all existing Shares. A summary of the rights attaching to the New Shares is set out in Section 10.2.</p>																															
What is the Offer Price?	\$0.30 per New Share.	Section 8.1																														
Who is the issuer of the Prospectus?	Murray River Organics Group Limited (ACN 614 651 473).	Important Notices																														
How will the proceeds of the Offer be used?	<p>The Offer is expected to raise up to \$12.1 million via the Placement and Entitlement Offer. The following table details the sources and uses of the proceeds from the Offer:</p> <table><tr><th>Sources of Funds</th><th>\$ Million</th><th>%</th><th>Uses of Funds</th><th>\$ Million</th><th>%</th></tr><tr><td>Placement</td><td>\$5.0</td><td>41.3%</td><td>Debt Reduction</td><td>\$6.5</td><td>53.7%</td></tr><tr><td>Entitlement Offer</td><td>\$7.1</td><td>58.7%</td><td>Working Capital</td><td>\$4.8</td><td>39.7%</td></tr><tr><td></td><td></td><td></td><td>Costs of the Offer</td><td>\$0.8</td><td>6.6%</td></tr><tr><td>Total</td><td>\$12.1</td><td>100%</td><td></td><td>\$12.1</td><td>100%</td></tr></table>	Sources of Funds	\$ Million	%	Uses of Funds	\$ Million	%	Placement	\$5.0	41.3%	Debt Reduction	\$6.5	53.7%	Entitlement Offer	\$7.1	58.7%	Working Capital	\$4.8	39.7%				Costs of the Offer	\$0.8	6.6%	Total	\$12.1	100%		\$12.1	100%	Section 8.3
Sources of Funds	\$ Million	%	Uses of Funds	\$ Million	%																											
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			Costs of the Offer	\$0.8	6.6%																											
Total	\$12.1	100%		\$12.1	100%																											
Is the Offer underwritten?	Yes. Morgans and PAC Partners have fully underwritten the Offer.	Section 10.3																														
What is the effect of the Offer on control of the Company?	Given the structure of the Entitlement Offer as a pro rata issue, the ratio and terms of the Entitlement Offer, the current level of holdings of substantial holders (based on substantial holding notices that have been given to the Company and lodged with ASX on or prior to the date of this Prospectus) and the fact that the Entitlement Offer is fully underwritten by professional underwriters, the Company considers that the Entitlement	Section 10.6																														

Topic	Summary	Further information
	<p>Offer is not expected to have any material effect or consequence on the control of the Company. If some shareholders do not take up their Entitlements (whether because they are Ineligible Shareholders or otherwise), their shareholding in the Company will be diluted. The shareholding of shareholders who only take up part of their Entitlement will also be diluted, but to a lesser extent.</p> <p>All shareholders who do not participate in the Placement will have their interests slightly diluted, within the limitations permitted under the ASX Listing Rules. However, given the number of New Shares to be issued under the Placement and the current level of holdings of substantial holders (based on substantial holding notices that have been given to the Company and lodged with ASX on or prior to the date of this Prospectus), the Company considers that the Placement is not expected to have any material effect or consequence on the control of the Company.</p> <p>Specifically, the Company does not expect any shareholder to have voting power in the Company of more than 20% after Completion of the Offer. However, in the very remote and highly theoretical scenario that no investors subscribe for any New Shares under the Placement or Entitlement Offer (and disregarding any New Shares that may be issued to investors pursuant to sub-underwriting commitments), the Underwriters would (in accordance with their underwriting obligations) be required to subscribe for a number of New Shares equal to (in aggregate) approximately 32% of the total number of Shares on issue after Completion of the Offer. On the basis that the Underwriters' underwriting obligations are joint and several, if one Underwriter terminates its obligations under the Underwriting Agreement but the other does not, the remaining Underwriter would be required to subscribe for the entire shortfall under the Placement and Entitlement Offer and its voting power in the Company would increase to approximately 32% after Completion of the Offer. Refer to Section 10.8.1 for a summary of the principal provisions of the Underwriting Agreement.</p>	
<b>Will the New Shares be quoted?</b>	<p>Yes. The Company has applied to the ASX for quotation of New Shares on the ASX.</p> <p>If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company is required to comply with the ASX Listing Rules, subject to any waivers obtained from time to time.</p> <p>The ASX and its Officers take no responsibility for this Prospectus or the investment to which it relates.</p>	<i>Section 8.13</i>
<b>Is there any brokerage,</b>	No brokerage, commission or stamp duty is payable by Applicants	<i>Section 10.10</i>



Topic	Summary	Further information
<b>commission or stamp duty payable by Applicants?</b>	on the acquisition of New Shares under the Offer.	
<b>What are the tax implications of investing in the New Shares?</b>	<p>An overview of certain Australian tax consequences of investing in the New Shares is included in Section 10.10.</p> <p>The tax consequences of any investment in the New Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	<i>Section 10.10</i>
<b>When will I receive confirmation that my application has been successful?</b>	<p>It is expected that holding statements in respect of New Shares issued under the Placement will be dispatched by standard post on or around 6 September 2017.</p> <p>It is expected that holding statements in respect of New Shares issued under the Entitlement Offer will be dispatched by standard post on or around 26 September 2017.</p>	<i>Timetable</i>
<b>How can I apply?</b>	<p>The Company and the Underwriters will separately advise participants in the Placement of the application procedures for applications for New Shares to be issued under the Placement.</p> <p>You may apply for New Shares under the Entitlement Offer by completing a valid Entitlement and Acceptance Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an application by an Applicant under the Offer is irrevocable.</p>	<i>Section 8.2 and 8.5</i>
<b>When are the New Shares expected to commence trading?</b>	<p>It is expected that the New Shares issued under the Placement will commence trading on the ASX on or about 6 September 2017.</p> <p>It is expected that the New Shares issued under the Entitlement Offer will commence trading on the ASX on normal settlement basis on or about 26 September 2017.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading New Shares. Applicants who sell New Shares before they receive an initial holding statement do so at their own risk.</p>	<i>Section 10.11</i>
<b>Can the Offer be withdrawn?</b>	<p>Yes. The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of New Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	<i>Section 8.17</i>

Topic	Summary	Further information
<p><b>Where can I find out more information about this Prospectus or the Offer?</b></p>	<p>All enquiries in relation to this Prospectus should be directed to the Murray River Organics Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (from outside Australia) between 9.00am and 5.00pm (Melbourne time) Monday to Friday.</p> <p>If you require assistance to complete the Entitlement and Acceptance Form, have any questions in relation to the Offer or are uncertain as to whether obtaining New Shares in the Company is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, taxation adviser, financial adviser or other independent professional adviser before deciding whether to invest.</p>	<p><i>Section 10.13</i></p>

**2.**

**Information deemed to  
be incorporated into  
this Prospectus.**

## 2. Information deemed to be incorporated into this Prospectus

### 2.1 Basis of Prospectus

This Prospectus is a prospectus issued in accordance with sections 710 and 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, it incorporates by reference information contained in a document that has been lodged with ASIC, namely, the December 2016 Prospectus.

The information to be incorporated by reference into this Prospectus is summarised below in Section 2.2.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the December 2016 Prospectus and the ASX Announcements by contacting the Company at its registered office during normal business hours during the Offer Period. The December 2016 Prospectus will also be available by searching ASIC's records or ASX announcements in relation to Murray River Organics, or by visiting the Company's website at [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au).

### 2.2 December 2016 Prospectus

Set out below is a summary of the information contained in the December 2016 Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the New Shares, they should obtain a copy of the December 2016 Prospectus.

Except where stated otherwise, the sections referred to below are a reference to sections in the December 2016 Prospectus.

#### **Section 2 - Industry Overview**

This section contains an Independent Market Report prepared by Frost & Sullivan Australia Pty Ltd, at the request of the Directors for the purpose of the December 2016 Prospectus, on the organic, natural and healthy food and snack market, being the industry within which Murray River Organics operates.

#### **Sections 4.1 to 4.2.4, 4.2.6, 4.2.7, 4.3 to 4.7 and 4.11 - Historical Financial Information**

These sections contain historical financial information in relation to the Group, including:

- statutory historical financial information of the Company, being the:
  - statutory historical statements of profit or loss and other comprehensive income for FY2014, FY2015 and FY2016;
  - statutory historical cash flows from operating activities for FY2014, FY2015 and FY2016; and
  - statutory historical consolidated statement of financial position as at 30 June 2016.
- pro forma historical financial information of the Company, being the:
  - pro forma historical statements of profit or loss and other comprehensive income for FY2014, FY2015 and FY2016;
  - pro forma historical cash flows from operating activities for FY2014, FY2015 and FY2016; and
  - pro forma historical consolidated statement of financial position as at 30 June 2016.

These sections also contain information regarding the preparation and presentation of the historical financial information.

The December 2016 Prospectus contained financial disclosures relating to forecast financial information, including both statutory and pro forma forecast financial information for the year ended 30 June 2017, comprising:

- Forecast statements of profit or loss and other comprehensive income; and
- Forecast statements of cashflows,

(the **Forecast Financial Information**).

For the purposes of this Prospectus, the Forecast Financial Information referred to above should not be relied upon and the actual audited statutory historical consolidated financial statement of profit and loss and other comprehensive income and actual audited statutory historical summarised consolidated statement of cashflows and related commentary for the year ended 30 June 2017 have been included in Section 5 of this Prospectus.

#### **Section 6.3.1.3 and 6.3.1.5 - Directors' interests and benefits**

Section 6.3.1.3 summarises the terms of the deed of indemnity, insurance and access entered into between the Company and each Director, which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director on a full indemnity basis and to the fullest extent permitted by law, against all losses or liabilities (including all reasonable legal costs) insured by the Director as an officer of the Company or of a related body corporate (as that term is defined in the Corporations Act).

Section 6.3.1.5 summarises the terms on which Directors are entitled to be reimbursed for additional out of pocket expenses incurred in connection with carrying out their duties.

#### **Section 6.4 - Corporate Governance**

Section 6.4 discloses how the Board will oversee the management of the Company's business and confirmation that the Board considers that:

- each of Craig Farrow, Lisa Hennessy and Donald Brumley are considered by the Board to be independent; and
- given his position as an Executive Director and on the basis of the significant shareholding in the Company held by entities associated with him, Erling Sorensen is considered by the Board not to be independent.

Section 6.4 also contains information relating to the main corporate governance policies adopted by the Board, which provide a framework within which the Company is managed. The main corporate governance policies adopted by the Board are as follows:

- **Board Charter**, which sets out the composition and operation of the Board, the roles and responsibilities of the Board and the delegation of authority by the Board to management and Board committees.
- **Audit and Risk Management Committee Charter**, which stipulates the size and composition of the Audit and Risk Management Committee, the roles and responsibilities of the Audit and Risk Management Committee and the Company's policy with regard to its external auditor.
- **Remuneration and Nomination Committee Charter**, which stipulates the size and composition of the Remuneration and Nomination Committee and the roles and responsibilities of the Remuneration and Nomination Committee.
- **Continuous Disclosure Policy**, which establishes procedures to ensure that Directors and senior management are aware of and fulfil their obligations in relation to continuous disclosure, including the timely, full and accurate disclosure of material price-sensitive information when required.
- **Share Trading Policy**, which sets out the types of prohibited conduct in relation to dealings in securities of the Company and establishes procedures in relation to its Directors, senior management and employees in dealing in the Company's securities.
- **Whistleblower Policy**, which encourages and stipulates the procedure for employees to raise concerns and report instances of illegal or unethical behavior.
- **Code of Conduct**, which outlines the standards of conduct expected of the Company's business and personnel in a range of circumstances.
- **Shareholder Communication Policy**, which outlines the Company's policy for communicating with its shareholders to ensure that its shareholders are properly informed of major developments affecting the affairs of the Company.
- **Risk Management Policy**, which seeks to ensure appropriate systems are implemented to identify

material risks that may impact on the Company's business, and delegate appropriate responsibilities to control any identified risk.

- **Diversity Policy**, which seeks to align the Company's management systems with its commitment to develop a culture and business model that values and achieves diversity in its workforce and on its Board.

#### ***Section 7.14 - Description of Shares***

Section 7.14 contains a summary of significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution, including summaries of provisions dealing with the following matters:

- voting rights of shareholders at general meetings of the Company;
- entitlement of shareholders to receive notice of, attend and vote at general meetings of the Company;
- declarations of dividends;
- procedures for the issue and transfer of Shares;
- procedures for winding up of the Company;
- dealing with unmarketable parcels of Shares;
- share buy-backs;
- proportional takeovers provisions;
- variations of class rights;
- removal and appointment of Directors;
- remuneration of Directors;
- voting rights of Directors;
- powers and duties of Directors;
- indemnities provided by the Company in favour of its Directors and secretaries; and
- amendment of the Constitution.

#### ***Sections 9.1 to 9.3 - Company information***

These sections provide information regarding the registration of the Company, its tax status and financial year and the current corporate structure of the Group.

#### ***Section 9.6.2 to 9.6.3 - Material contracts***

These sections provide a summary of the following material contracts to which a Group company is party:

- **Colignan lease** entered into between Murray River Organics Limited and Sandhurst Trustees Limited as custodian for the Arrow Primary Infrastructure Fund in respect of a dried vine fruit producing farm. Murray River Organics Limited retains viticultural and operational control of the farm, and income derived from the farm.
- **Two water licenses** held by Murray River Organics Limited, pursuant to which it leases water entitlements (representing, in aggregate, approximately 6,446 megalitres of water over the term of the leases) from third parties.

#### ***Section 9.8 - Ownership restrictions***

Section 9.8 summarises the Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others) of Shares in the Company, namely, Chapter 6 of the Corporations Act and the Foreign Acquisitions and Takeovers Act 1975 (Cth).

#### ***Section 9.9 - Australian tax considerations***

Section 9.9 provides a general overview of certain Australian tax consequences for investors acquiring Shares in the Company.

#### ***Appendix A - Significant accounting policies***

Appendix A discloses the significant accounting policies of the Company.

# **3.**

# **Industry**

# **overview.**

### 3. Industry overview

As disclosed in Section 2.2, the Independent Market Report prepared by Frost & Sullivan Australia Pty Ltd, at the request of the Directors for inclusion in the December 2016 Prospectus, is incorporated by reference into this Prospectus under section 712 of the Corporations Act.



# **4. Company overview.**

## 4. Company overview

### 4.1 Overview and history of Murray River Organics

Murray River Organics is an Australian producer, marketer, manufacturer and seller of certified organic, natural and better-for-you food products. Its mission is to anticipate and exceed consumer expectations globally in healthy food by providing quality, innovation, value and convenience.

Murray River Organics services the organic, natural and better-for-you food and snack market. Murray River Organics' strategy focuses on using various degrees of vertical integration of its product lines through integrated farming, processing, packing, product innovation and marketing operations.

Murray River Organics operates both in the domestic and international markets, with customers in 26 countries. Murray River Organics' 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). Murray River Organics has a broad customer base, with its key customers being two major Australian supermarkets.

Murray River Organics was founded in 2010 with the acquisition of a 72 acre certified organic dried vine fruit vineyard in Merbein, Victoria, and has grown to now owning or controlling 12,253 acres of farmland.

Murray River Organics owns a certified organic processing facility in Mourquong, NSW, strategically located relative to its vineyards. In addition, Murray River Organics has established an organically certified packaging, value-add and pick-pack facility in Dandenong, Victoria, which services the industrial, retail and food service markets globally. Further details on Murray River Organics' processing and packaging facilities, and the work undertaken by Murray River Organics in consolidating its Sunraysia facilities in FY2017, are set out in Section 4.3.5.

Murray River Organics' operations make it the largest vertically integrated dried vine fruit producer and marketer in Australia, and the largest vertically integrated certified organic dried vine fruit producer in the world.

During the first half of FY2017, Murray River Organics completed the acquisitions of the business of Food Source International, the business of Australian Organic Holdings (including its brands Pacific Organics and Nutritious Foods) and the Fifth Street vineyard. These acquisitions were completed to provide Murray River Organics with a broader range of healthy food products with which to service and expand its domestic and global customer base. The businesses, operations, assets and brands of Food Source International and Australian Organic Holdings have been fully integrated into Murray River Organics' business.

On 25 July 2017, the Company completed the acquisition of a 7,515 acre property, referred to as Nangiloc, located adjacent to its Colignan vineyard in Victoria. The scale of the property, its location relative to the Murray River and Murray River Organics' other farming assets, coupled with the versatile high-quality soil, existing plantings and existing infrastructure, provides Murray River Organics with significant potential for future growth.

Murray River Organics is also in advanced negotiations to acquire a 6.8 acre property at 130 Link Road, Mourquong, NSW. The property is located directly adjacent to the Company's existing Mourquong processing facility, and will facilitate the consolidation of Murray River Organics' existing facilities in the Sunraysia region (see Section 4.3.5 for further details). Subject to entry into binding documentation, settlement of the property is expected to occur during Q4 2017.

Murray River Organics intends to continue to grow:

- organically, through the ongoing development and expansion of its existing producing assets and vineyards;
- through a continued focus on expanding and deepening customer relationships, product innovation and servicing new markets and geographies; and
- through the disciplined acquisition of complementary productive assets, businesses, products and brands.

In particular, Murray River Organics intends to continue to:

- focus on organic, natural, better-for-you food products that have multiple uses and a long shelf life;
- seek to drive efficiencies from various degrees of vertical integration of its product lines through integrated farming, processing, packing and marketing operations;
- provide innovative and convenient packaging; and
- seek to leverage the clean and safe image of Australian produce.

Consistent with the Group's strategy, refer to Section 4.8 for a summary of Murray River Organics' achievements since its IPO (which includes the full integration of the businesses of Food Source International and Australian Organic Holdings, the acquisition and integration of the Fifth Street vineyard and Nangiloc property, the conversion of 476 acres from wine grapes to dried vine fruit and the preparation (from greenfield) to commence planting 468 acres to dried vine fruit at its Colignan vineyard, its ongoing consolidation of the Sunraysia Facility, the commissioning, fit out and certification of the Company's Dandenong Facility and the implementation of Company-wide single-solution ERP (SAP)). With its current capacity in certified organic dried vine fruit, Murray River Organics aims to become a leader in the certified organic, natural and better-for-you food product categories.

Murray River Organics believes this strategy will enable it to build on its current scale and capitalise on growing demand in its target markets.

### Murray River Organics Company Timeline

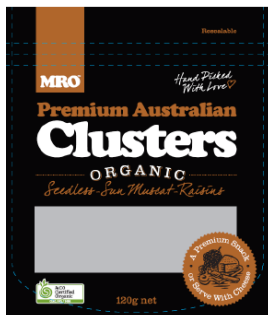
The exhibit below outlines some of the key milestones in the Murray River Organics growth story.

<b>JUL 2017</b>	Acquired 7,515 acre property, known as Nangiloc	<b>DEC 2015</b>	Gained control of dried vine fruit producing vineyard, Advinco, renamed Colignan	<b>APR 2013</b>	Achieved Japanese Agricultural Standard (JAS) certification
<b>DEC 2017</b>	Acquired fresh table grape vineyard, Fifth Street	<b>NOV 2015</b>	Australian Certified Organic Annual Award 2015 Winner in 'Export Market Leadership' & 'Best Certified Organic Product – Food' categories	<b>2012</b>	Retail Brands 'Gobble' and 'Premium Australian Clusters' launched
<b>DEC 2016</b>	IPO on Australian Stock Exchange	<b>OCT 2015</b>	Became a certified B-Corporation	<b>2011</b>	First owned dried vine fruit processing facility in Merbein, Victoria
<b>NOV 2016</b>	Awarded Farmer of the Year by Australian Certified Organic	<b>OCT 2015</b>	Won Business Development Award by Hong Kong and Australian Business Association	<b>2010</b>	Achieved Australian Certified Organic Standard certification
<b>NOV 2016</b>	Sales Representation in North America, China and Japan	<b>MAY 2015</b>	Achieved Chinese National Organic Product Certification	<b>2010</b>	Murray River Organics founded, with a 72-acre vineyard in the Sunraysia region, Victoria
<b>NOV 2016</b>	Acquired Australian Organic Holdings	<b>MAY 2014</b>	Established dried fruit processing facility at Mourquong, NSW		
<b>OCT 2016</b>	Won Exporter of the Year award by Hong Kong and Australian Business Association	<b>DEC 2013</b>	Achieved USDA Organic Certification		
<b>OCT 2016</b>	Relocated corporate office and commenced the establishment of a 4,129 sqm packaging facility in Dandenong, Victoria	<b>OCT 2013</b>	Government of Victoria Exporter of the Year Argibusiness Award		
<b>SEP 2016</b>	Acquired Food Source International	<b>APR 2013</b>	Achieved South Korean Organic Standard Accreditation		

## 4.2 Products and Brands

Murray River Organics' current brands include:

- Gobble;
- Premium Australian Clusters;
- Snack'd;
- Pacific Organics; and
- Nutritious Foods



**Premium  
Australian  
Clusters™**



Murray River Organics' products include:

- certified organic dried vine fruit;
- dried vine fruit;
- certified organic table grapes.
- table grapes;
- citrus fruit;
- certified organic nuts;
- certified organic coconut products;
- certified organic seeds;
- certified organic ancient grains and rice;
- certified organic spreads;
- nuts;
- dried fruits;
- seeds; and
- other food and snacking products.

Murray River Organics' products are sold:

- to the industrial market - which comprises food processors where Murray River Organics' products are typically used in bakery products, cereal products and confectionery;
- to the retail market - which comprises retailers stocking Murray River Organics' branded goods (Premium Australian Clusters, Gobble, Pacific Organics, Snack'd and Nutritious Foods); and
- through retailers who sell Murray River Organics products under their own private labels.

It is Murray River Organics' belief that its commitment to producing and supplying innovative certified organic and natural products will benefit its customers, consumers, employees and investors, whilst (at the same time) supporting and promoting a way of healthier living.

The focus of Murray River Organics is to service the organic, natural and better-for-you food markets, where the long-term growth rate for organic food is 9.5% and the compound annual global growth rate of healthy snack food has outpaced the overall food and beverage market by 4.7%.<sup>7</sup>

<sup>7</sup> Source: IRI's "InfoScan Reviews" (2016), Simmons National Consumer Study (fall 2015), Packaged Facts' National Consumer Survey (2016)

Murray River Organics' product range is targeted at the rising consumer demand globally for natural, healthy and organic foods, and is an important part of the Group's strategy.

### **4.3 Business model & operations**

#### **4.3.1 Vertical integration**

Murray River Organics employs various degrees of vertical integration of its product lines through integrated farming or supply arrangements, processing, packing and marketing operations.

Murray River Organics' farming operations comprise vineyards and other properties for the production of dried vine fruit, Clusters, table grapes, citrus and chick peas (see Section 4.3.3). Murray River Organics supplements its farming operations with the use of third party suppliers (see Section 4.3.4). Murray River Organics believes that this diversified approach to supply mitigates the risks associated with supply limitations that may otherwise arise if Murray River Organics were to solely rely on its own farming operations or third party supply arrangements.

Products grown or sourced by Murray River Organics are processed and packaged by Murray River Organics (see Section 4.3.5) to service its customers in the industrial, retail and food service markets (see Section 4.5.1).

Murray River Organics believes that having "end-to-end" control and oversight of the supply chain (from farming to processing / packaging to sales) enables Murray River Organics to ensure consistency in the quality of its products (which is particularly important in the context of certified organic products), and to mitigate the risks associated with supply limitations and reliance on third party arrangements, whilst managing costs.

In particular, the benefits Murray River Organics seek to derive from this vertically integrated model include:

- reduced costs through economies of scale;
- improved control over inputs, processes and quality, thereby reducing uncertainty;
- improved efficiencies through optimal resource and staff allocation;
- assisting with growth across products, channels & regions; and
- greater competitive advantage through added expertise across the supply chain, thus raising barriers to entry for potential competitors.

#### **4.3.2 Acquisitions**

##### **Nangiloc property**

On 25 July 2017, Murray River Organics completed the acquisition of a 7,515 acre property, referred to as Nangiloc, located adjacent to its Colignan vineyard in Victoria.

The scale of the property, its location relative to the Murray River and Murray River Organics' other farming assets, coupled with the versatile high-quality soil, existing plantings and existing infrastructure, provides Murray River Organics with significant potential for future growth.

The Nangiloc property has 205 acres planted to citrus, 65 acres planted to wine grapes, 314 acres serviced by centre pivots and 5,788 acres arable land suited to crops such as tree nuts, citrus, vines, grains, ancient grains and high protein beans and legumes. The balance of 1,144 acres is non-arable land.

The harvest of the citrus commenced in May 2017, and the citrus harvested has been sold to customers of Murray River Organics, with revenues attributable to the Company. The harvest of the 314 acres serviced by centre pivots and 449 acres of arable land which has been planted with chick peas, is intended to occur in the Spring of 2017.

Murray River Organics intends to explore conversion of the Nangiloc property to certified organic at the earliest opportunity.

### **130 Link Road, Mourquong, NSW**

Murray River Organics is also in advanced negotiations to acquire a 6.8 acre property at 130 Link Road, Mourquong, NSW for \$500,000.

The property is a sub-division of an existing citrus orchard, and is located directly adjacent to the Company's existing Mourquong processing facility, and will facilitate the consolidation of Murray River Organics' existing facilities in the Sunraysia region (see Section 4.3.5 for further detail).

Subject to entry into formal documentation, settlement of the property is expected to occur during Q4 2017. The purchase price for the acquisition is expected to be funded by debt using the Company's existing banking facilities.

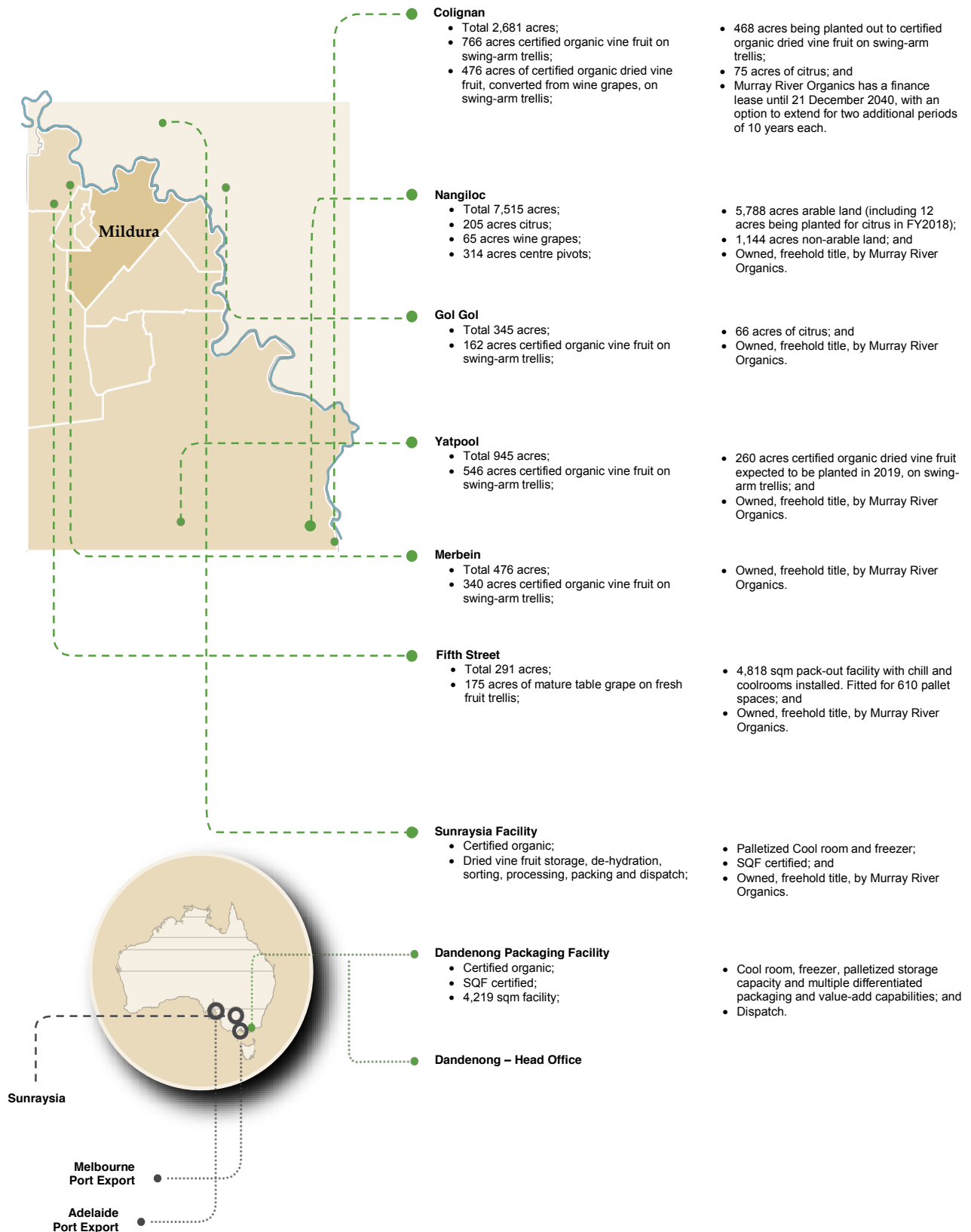
#### **4.3.3 Farming**

Murray River Organics owns or controls 12,253 acres of farmland, in the Sunraysia region of Australia.

From the Group's farming operations, a total of 4,760 acres are planted or planned to be planted. 2,790 acres are planted or planned to be planted with dried vine fruit, 620 acres are planted or planned to be planted with Clusters / table grapes, 391 acres are planted or planned to be planted with citrus, 65 acres are planted with wine grapes and 763 acres are planted with chick peas. For more information, see the "Owned and controlled planted acreage" table on page 49.

Details of each of Murray River Organics' operations are described on the following page.

## Murray River Organics' operations



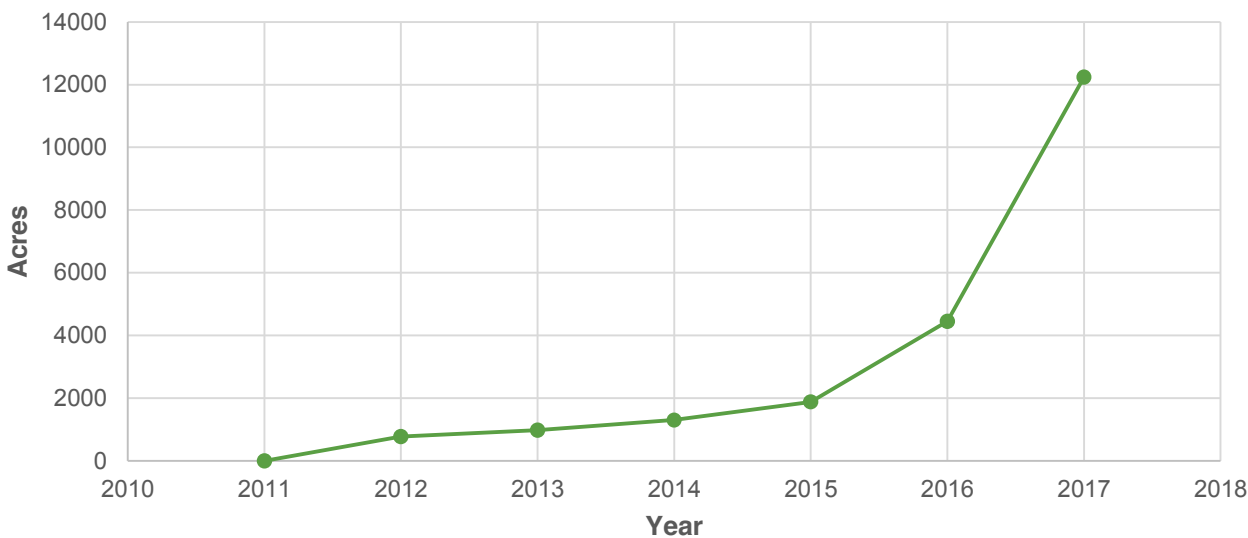
Murray River Organics utilises a swing-arm trellis system for its dried vine fruit vineyards, which facilitates optimal growing and drying conditions for improved yield of high quality fruit, whilst minimising labour cost.

In addition, at its Fifth Street vineyard, Murray River Organics utilises a fresh fruit trellis system which lends itself favourably to a flexible operational and sales strategy, as fruit produced on this trellis system can be sold as both table grapes and Clusters.

Murray River Organics has cost effectively increased its production of certified organic dried vine fruit by converting existing wine vineyards to dried fruit vineyards. Murray River Organics has developed its own conversion process, which involves utilising the existing infrastructure of the vineyard (posts, wires, root stock, irrigation), cutting off the vines, removing the canopy and regrafting its chosen dried fruit variety onto the vine before training it to a new swing-arm trellis system. Other areas where Murray River Organics has fine-tuned its approach over the years include floor/weed management, pest control, canopy management and soil nourishment. These methods help ensure consistency of yield and quality, whilst managing costs.

The total acreage, owned and controlled by the Group, has risen from 72 acres in 2010 to 12,253 acres.

**Owned and controlled farmland**



*Source: Murray River Organics, Land titles and CBRE valuation reports*

The table on the following page sets out the planted acreage owned or controlled by Murray River Organics, a breakdown of the composition of that acreage (loose dried vine fruit, Clusters / table grapes, citrus, wine grapes, centre pivots and dry crop), and details on the maturity profile of those plantings.



## Owned and controlled planted acreage

	Total (planted and to be planted)	Mature plantings	Year of new planting		Year of conversion		
Type of planted acreage (planted and planned)			FY2019	FY2018	FY2017	FY2016	FY2015
Loose dried vine fruit	2,790	1,143	458	565	484	140	
Clusters / Table Grapes	620	459				161	
Citrus	391	298	33	12		16	31
Wine Grapes	0	65	(65)				
Centre pivots	509	302	207				
Dry Crop	450	450					

Total acres	12,253
Planted and planned to be planted	4,760
Vacant Plantable	5,144
Vacant Unplantable	2,350



The diagram below also indicates, based on Murray River Organics' experience, the time to maturity and yields that may reasonably be expected to be achieved for the different types of planted acreage.

**Based on Murray River Organics' experience, it believes the following yields can reasonably be expected to be achieved at maturity:**



**Loose tonnage from conversion**  
Year3/Mature = yields  
approximately 2.75 tonnes of  
dried vine fruit per acre



**Loose tonnage from planting**  
Year4/Mature = yields  
approximately 2.75 tonnes of  
dried vine fruit per acre



**Clusters tonnage**  
Year3/Mature = yields  
approximately 2 tonnes  
of dried vine fruit per acre



**Table grape tonnage (from planting)**  
Year4/Mature = yields approximately  
9.75 tonnes per acre



**Citrus tonnage**  
Year6/Mature = yields approximately  
13 tonnes per acre

Murray River Organics intends to continue to build scale in its operations through the development of existing assets. From expansion and conversion work underway, this is expected to result in Murray River Organics having 4,760 acres planted by end FY2019.

As part of its normal business operations, Murray River Organics continues to manage risks. These risks in relation to farming operations include hail, drought and other climatic conditions (see Section 6.2.1). Murray River Organics will continue to monitor the economic value and cost of managing these risks as part of its ongoing and normal operations.

#### 4.3.4 Supply arrangements

Murray River Organics uses third party suppliers for raw materials and finished goods consumed in its farming, harvesting, processing and packaging activities.

For farming, raw materials include fish hydrolysate, humic acid, liquid gypsum and kelp. For harvesting, raw materials include potassium carbonate and organic vegetable oil. For packaging, raw materials include organic high oleic sunflower oil and the products listed in Section 4.2, and finished goods include cartons, liners, doy bags and form fill.

Refer to Section 6.2.8 for a description of the risks associated with loss or deterioration of supply arrangements.

Murray River Organics has established a broad and global network of suppliers for its business, which includes large multinational organisations, privately owned international businesses and family owned operations.

#### 4.3.5 Processing and packaging

##### Sunraysia Processing Facility

Murray River Organics' key processing facility is located centrally to its vineyards in Mourquong, NSW (**Sunraysia Facility**). At the Sunraysia Facility, dried vine fruit is sorted, dried (when required), stored, processed, packed and dispatched direct to Australian and overseas customers.

The Sunraysia Facility has been designed to meet future demand for capacity and has the capacity to process approximately 15,000 tonnes of dried vine fruit in bulk and approximately 1,000 tonnes of Clusters per year.

The processing at the Sunraysia Facility involves fruit passing through magnets, several visual inspection points, two laser sorters and sensitive metal detectors, before being packed into plastic lined cartons undergoing modified atmospheric treatment and then finally being sealed. The Sunraysia Facility is equipped with solar panels, servicing the operations with low cost renewable energy.

Since the Sunraysia Facility is centrally located relative to Murray River Organics' vineyards, Murray River Organics is undertaking a project to upgrade the Sunraysia Facility and consolidate its other facilities.

In particular, Murray River Organics:

- in FY2017, has invested approximately \$5.4 million upgrading its Sunraysia Facility, including to acquire additional processing equipment to facilitate more efficient processing and storage of dried vine fruit and Clusters;
- is installing an innovative bio-mass heat-source dehydration unit which will have the capacity to fulfill the Company's requirements for efficient drying of fruit, if required;
- is in the process of consolidating its other nearby facilities (including its warehouse at Walnut Avenue, Mildura, Victoria, its freezer and cool-room facility at Benetook Avenue, Mildura, Victoria and its processing and storage facility at Silver City Highway, Mourquong, NSW) to the Sunraysia Facility;
- is in advanced negotiations to acquire a 6.8 acre property at 130 Link Road, Mourquong, NSW (with settlement expected to occur during Q4 2017). The property is located directly adjacent to the Sunraysia Facility, and will facilitate the consolidation of Murray River Organics' existing facilities in the region (see Section 4.3.2 for further detail); and
- is constructing a 4,950 square metre concrete floor warehouse at the Sunraysia Facility to facilitate the consolidation of Murray River Organics' facilities in the Sunraysia region.

The consolidation of these sites will allow for dried vine fruit and Clusters, after having been harvested at a vineyard, to be sorted, processed, dried (when required) and stored at a single location, and is also expected to deliver operational synergies for the Group. Dried vine fruit and Clusters are also packed and dispatched direct to Australian and overseas customers from the Sunraysia Facility, other than in respect of consumer packaged products and products sold to wholesale customers pursuant to the Company's pick-pack service, which are undertaken at the Company's Dandenong Facility (see below).

The benefits that are expected to arise from the consolidation and upgrades include:

- savings in operational expenses;

- improved product quality (including because of the upgraded processing equipment to facilitate more efficient dehydration processing and storage of dried vine fruit and Clusters);
- reduction in the number of bin movements by an estimated 70%;
- improved management, through more efficient handling, of wet fruit; and
- increase in processing speed from processing pre-riddled fruit.

The upgrade and consolidation of the Sunraysia Facility is expected to be complete by mid-September 2017.

Murray River Organics intends to sell its facilities at Walnut Avenue and at Benetook Avenue following completion of the Sunraysia Facility update and consolidation.

### Fifth Street Processing Facility

The Fifth Street vineyard includes a fully equipped 4,818 square metre table grape pack-out facility with chill and cool rooms installed. The facility is fitted for 610 pallets and accredited for export dispatches, and is utilised as a dedicated table grape processing and storage facility.

### Dandenong Packaging Facility

Murray River Organics operates an organically certified packaging, value-add and pick-pack facility in Dandenong, Victoria (**Dandenong Facility**).

The Dandenong Facility is a 4,219 square metre facility, which services the industrial, retail and food service markets globally.

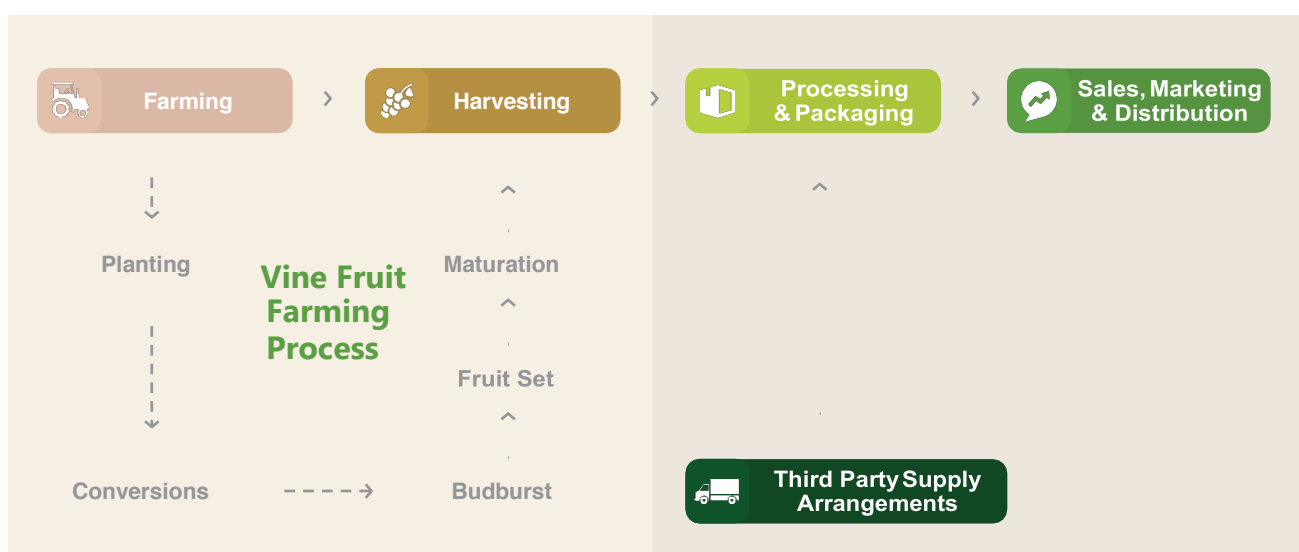
The Dandenong Facility was completed during the second half of FY2017. During this period, all six packaging rooms of the Dandenong Facility became operational, bio-security inspection, cool room, freezing and palletised storage was installed, and all required certifications to operate the Dandenong Facility were obtained.

The Dandenong Facility enables Murray River Organics to service customers globally with certified organic, natural and better-for-you food products in a variety of consumer packaged goods formats, without having to rely on external parties to undertake the packaging.

The corporate office of the Company is also located at the Dandenong Facility.

Refer to Section 6.2.17 for a description of the risks associated with interruption in, or disruption to, operations at one or more of the facilities.

## Vertical integration business model



INTEGRATED PLANNING AND OPTIMISATION

## 4.4 People

As at 25 August 2017, the Group employed 115 full time, 4 part time and 24 casual employees.

Murray River Organics has a highly experienced Management Team led by its Managing Director, Erling Sorensen.

Refer to Section 7.2 for further details regarding Murray River Organics' Key Management Personnel and Management Team, and Section 6.2.19 for further details regarding risks associated with loss of key personnel.

## 4.5 Markets & customers

### 4.5.1 Channels to market

Murray River Organics' customers can be broadly segmented into the following market channels:

- Industrial Market - Murray River Organics generates revenue from the industrial market by selling its products to food processors, who use dried vine fruit in their products (e.g. bakery products, cereal products, confectionery, etc.).
- Retail Market - Murray River Organics generates revenue from the retail market by selling its products to retailers stocking Murray River Organics' branded goods (Cluster and Gobble) and to retailers who sell Murray River Organics products under their own private label brands.
- Food Service Market - Murray River Organics generates revenue from the food service market by selling its products to specialty and natural food distributors.

In FY2017, the retail market represented approximately 64% of sales for Murray River Organics. In addition, the Group's sales in FY2017 were derived from approximately 17% of dried vine fruit.

### 4.5.2 International and domestic markets

Murray River Organics operates in the organic, natural and healthy food and snack market. Murray River Organics services customers in both the domestic and international markets.

In FY2017, sales to Australian and New Zealand based customers comprised approximately 93% of total sales for Murray River Organics, with other sales including Asia, Europe and the United States.

Murray River Organics has diversified its end customer base from three countries in 2013 to 26 in 2017. This strategy minimises exposure to potential fluctuations in demand based on country-specific market conditions. In addition to consolidating its presence in the Australian and New Zealand markets, Murray River Organics' near-term focus is to continue to grow its sales in the United States, Europe, North Asia (Japan, South Korea and Taiwan) and China.

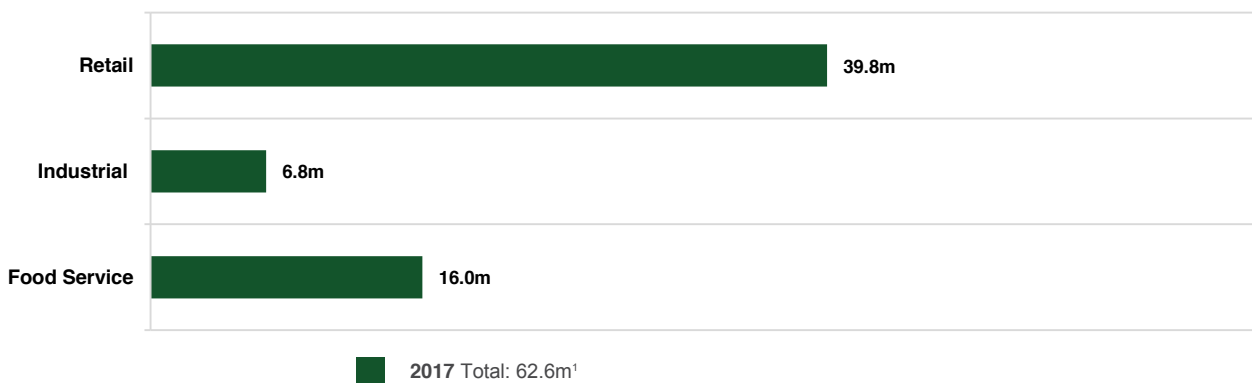
## Sales by product (\$)

Product	FY2017
Nuts	24%
Certified organic coconut products	14%
Certified organic dried vine fruit	11%
Other dried fruits	11%
Conventional dried vine fruit and table grapes	10%
Other food and snacking products	7%
Other products (refer to list in Section 4.2)	23%
<b>Total</b>	<b>100%</b>

## Sales by region (\$m)



## Sales by channel (\$m)



### 4.5.3 Customers

Murray River Organics' 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).

Murray River Organics has a broad customer base, with its key customers being two major Australian supermarkets. In FY2017, approximately 46% of the Group's sales were derived from major Australian supermarkets.

The contractual trading terms in place between Murray River Organics and each of the two major Australian supermarkets are not dissimilar to that of any other supplier of products to major Australian supermarkets.

Murray River Organics supplies products to its customers on the following basis:

- uncontracted arrangements - where Murray River Organics supplies products to its customers on an uncontracted basis, either using Murray River Organics' or the customer's standard terms and conditions of sale. These arrangements can be terminated or varied by the customer on short notice and without penalty. In many instances, customers are under no obligation to continue purchasing Murray River Organics' products or to purchase a particular volume of products (Refer Section 6.2.3); and

- short term customer contracts - where supply periods are typically for one season or one year (which may depend on the product's seasonality). A significant proportion of these customer contracts do not have fixed or minimum volume requirements, and do not oblige customers to continue purchasing Murray River Organics' products (Refer Section 6.2.4).

While new customer acquisition is to remain a key focus of the Group's sales team, to drive sales growth, customer retention is equally important. Management is confident in its customer retention strategy, which aims to bring continued stability to future revenues.

#### 4.5.4 Marketing

Murray River Organics' international sales and marketing team is coordinated from Melbourne, Victoria.

Utilising its sales representatives and its Melbourne based sales, marketing and distribution staff, Murray River Organics now sells its products into 26 countries where it services industrial customers, retail customers and food service channels.

### 4.6 Cost drivers

The key costs incurred by Murray River Organics in operating its business include:

- cost of water (for irrigation) raw materials and consumables that are used in the Group's farming, harvesting and packing activities;
- third party supply costs for raw materials and other inventory related costs;
- salaries and wages;
- other operating expenses; and
- finance costs.

For further information, refer to Section 5.

### 4.7 Water rights

Murray River Organics believes that it has sufficient rights / access to water for the purposes of its business operations.

Murray River Organics has entered into two water lease arrangements, pursuant to which it leases water entitlements (representing in aggregate approximately 6,446 megalitres of water over the term of the leases) from third parties. The leases are due to expire on 30 June 2020, with one lease containing an option to extend the term for a further 5 years. For further information, refer to Section 10.8.3.

Murray River Organics also buys water in the spot market. In FY2017, spot water purchases accounted for less than 1% of its annual water usage.

Murray River Organics does not currently own any permanent water rights. However, Murray River Organics may consider acquiring permanent water rights in the future, depending on its circumstances and the costs associated with doing so (at the relevant time), so as to have a diversified portfolio of water rights that are owned, leased and bought in the spot market.

Refer to Section 6.2.2 for a description of the risks associated with Murray River Organics' access to water.

### 4.8 Strategy

Murray River Organics is seeking to grow:

- organically through ongoing development and expansion of its existing producing assets and vineyards;
- through the disciplined value-enhancing acquisition of complementary productive assets as well as of businesses, products and brands;
- by implementing a uniform marketing, sales and distribution strategy across the business;
- by growing its range of healthy snacking products and continuing to innovate within its category; and
- by continuing to build its global customer base of industrial, retail and food service customers.

In particular, Murray River Organics is focused on:

- organic, natural, better-for-you food consumption growth trends globally;
- products that have multiple uses and a long shelf life;
- driving efficiencies from various degrees of vertical integration of its product lines through integrated farming, processing, packing, product innovation and marketing operations;
- providing innovative and convenient packaging;
- implementing environmentally sound farming and business practices and manufacturing processes; and
- leveraging the 'clean' and 'safe' image of Australian produce globally.

Consistent with the Group's strategy, since IPO Murray River Organics achieved the following:

- fully integrated the businesses of Food Source International and Australian Organic Holdings (and their personnel, assets and brands) into Murray River Organics, including the transfer of all customers and suppliers from Australian Organic Holdings and Food Source International into Murray River Organics' supply chain;
- closed and sub-let two warehouse facilities that Murray River Organics assumed when it acquired the business of Australian Organic Holdings following the consolidation of operations previously undertaken by Australian Organic Holdings to Murray River Organics' Dandenong Facility;
- property acquisition and development, including:
  - acquisition of the Fifth Street vineyard;
  - a wine acreage conversion project, involving the conversion of 476 acres of wine grape varieties to dried fruit varieties at the Colignan vineyard;
  - a greenfield vineyard development project involving the planting of 468 acres of vacant arable land to dried vine fruit varieties at the Colignan vineyard;
  - acquisition of the Nangiloc property, including planting of 763 acres chick peas; and
- other productivity and growth capital projects, including:
  - implementation of a Group-wide single-solution ERP (SAP), thereby consolidating the use of four previously utilised systems;
  - the ongoing consolidation and improvement of the Group's dried vine fruit and Cluster processing and storage facilities in the Sunraysia region to its Sunraysia Facility in Mourquong, NSW; and
  - the commissioning, fit out and certification of the Company's Dandenong Facility.

## 4.9 Competition

Whilst there are currently an estimated approximately 600 dried vine fruit growers located in the Sunraysia region of Australia, Murray River Organics is currently the largest vertically integrated dried vine fruit producer and marketer in Australia.

Whilst Murray River Organics' benefits of scale and access may change over time (as the competitive landscape changes), the vertically integrated aspect of Murray River Organics operations are subject to high barriers of entry including:

- importance of climatic conditions - because dried vine fruit can only be grown in areas that are hot and dry with access to water;
- significant capital outlay required;
- organic certification requirements;
- limited number of large dried fruit vineyards in Australia;
- limited number of certified organic dried fruit vineyards in Australia;

- requirement for strong agronomy capabilities and large- scale organic viticulture and farming expertise; and
- establishment of markets for products produced.

Murray River Organics believes it has benefitted from the global consumer shift towards natural, healthy and organic foods, and believes its understanding of the market, coupled with established key relationships with global customers, a diversified customer base, supported by its sales representatives in the USA, China, Japan and its office in Australia represents a competitive advantage for the Company.

Refer to Section 6.2.14 for a description of the risks associated with operating in highly competitive markets.

#### 4.10 Organic certification

Murray River Organics holds its organic certification through Australian Certified Organic (**ACO**). ACO is Australia's largest certifier for organic and biodynamic produce, with over 1,500 operators within its certification. The ACO logo (also called the 'bud' logo) is known internationally as a mark backed by stringent certification requirements. ACO certification (involving comprehensive annual audits of vineyards, processing facilities and all associated documentation) also provides organic compliance outside Australia, as it is recognised by similar certification bodies in other countries and regions (including Europe, Taiwan, Japan, USA, South Korea and Canada). In addition Murray River Organics is certified to sell its organic products in China under the Chinese National Organic Products Certification Program, governed and issued by the national authority Certification and Accreditation Administration of the People's Republic of China (**CNCA**).

Murray River Organics believes its compliance with the ACO certification will strengthen its brand value over the long term. In addition, the increased number of bilateral agreements amongst countries (accepting one country's organic standard as acceptable in the other) or organic equivalency arrangements (two differing organic standards treated as the same across jurisdictions as long as they achieve the same result) will increase the number of new geographical markets that Murray River Organics can sell to.

Refer to Section 6.2.5 for a description of the risks associated with a loss of organic certifications by Murray River Organics.

#### 4.11 Food safety, processing and labelling

Murray River Organics is required to comply with a range of specific food safety, processing and labelling obligations under state and territory legislation and the Australia and New Zealand Food Standards Code (**Code**), including in relation to:

- the handling, packaging, transportation and disposal of food during production and processing;
- the health, hygiene and training requirements of persons who may handle the food during production and processing, or who may handle surfaces likely to come into contact with the food during production and processing;
- the cleaning, sanitisation and maintenance of premises where food is produced and processed, and the equipment used in production and processing;
- the use of any chemicals or micro biological materials in the production of food such as fertilisers; and
- food labelling and marketing.

These regulatory requirements are enforced by regulators in each state and territory, with the potential for substantial fines for breach of the obligations. The Australian Consumer Law (**ACL**) additionally contains a general product safety and liability (or consumer guarantees) regime and prohibits misleading representations in trade or commerce, which extends to the content of food labels or other public-facing materials such as advertising. The ACL is enforced by the Australian Competition and Consumer Commission, which has the power to issue infringement notices and to seek a wide range of orders for breaches of the ACL, including penalties, corrective advertising, injunctions, variation of contracts, refunds and compliance programs. The Company has procedures in place to ensure that it complies with state and territory legislation, the Code and the ACL. For further details, refer to Section 6.2.12.



#### 4.12 Environment and sustainability

Murray River Organics recognises the importance of, and implements, best practice environmental procedures. Integral to Murray River Organics' business is the importance of environmental and agricultural sustainability. Murray River Organics believes that productive, competitive and efficient procedures are critical to maximising the Group's profitability.

Murray River Organics' environmental and sustainability practices include water efficiency, energy conservation and soil health.

Murray River Organics owns, leases and operates farming operations and other facilities in New South Wales and Victoria. Accordingly, Murray River Organics is subject to various federal, state and local environmental laws and regulations. Among other things, these laws may impose liability on present and former property owners and operators for costs and damages related to soil and water contamination from hazardous or toxic substances.

# **5. Financial information.**

## 5. Financial information

### 5.1 Introduction

The Financial Information contained in this Section 5 includes:

- a) Statutory Historical Financial Information of the Company, being the:
  - Statutory historical consolidated statement of profit or loss and other comprehensive income for FY2017;
  - Statutory historical summarised consolidated statement of cash flows for FY2017; and
  - Statutory historical consolidated statement of financial position as at 30 June 2017.
- b) Pro Forma Historical Financial Information of the Company, being the:
  - Pro forma historical consolidated statement of profit or loss and other comprehensive income for FY2017;
  - Pro forma historical summarised consolidated statement of cash flow for FY2017; and
  - Pro forma historical consolidated statement of financial position as at 30 June 2017.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information collectively form the “Financial Information”.

The Financial Information of the Company reflects the twelve month historical period ended 30 June 2017.

Section 5 also summarises:

- the basis of preparation and presentation of the Financial Information (see Section 5.2);
- the financial metrics of Murray River Organics (see Section 5.3);
- management discussion and analysis of the Financial Information (see Sections 5.3.1 and 5.4.1 );
- a summary of Murray River Organics' indebtedness at 30 June 2017 and immediately after the Offer (see Section 5.5.3);
- information regarding Murray River Organics' lease commitments (see Section 5.5.4);
- information regarding liquidity and capital resources (see Section 5.5.5);
- a summary of the Company's proposed dividend policy (see Section 5.6); and
- the significant accounting policies of Murray River Organics (see Section 5.7).

All amounts disclosed are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Tables have not been amended to correct immaterial summation variances that may arise from this rounding convention.

The information in this Section 5 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagement involving Fundraising and/or Prospective Financial Information by Deloitte Corporate Finance Pty Limited whose Investigating Accountant's Report on the Financial Information is contained in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report.

As disclosed in Section 2.2, historical financial information in relation to the Group for FY2014, FY2015 and

FY2016 disclosed in the December 2016 Prospectus is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

As a listed entity, the Company is subject to continuous disclosure obligations, including with respect to its financial performance. The Company has not included forecast financial information in this Prospectus, but will provide updates to the market with respect to its financial performance in accordance with its obligations under the ASX Listing Rules and as it otherwise considers appropriate.

## **5.2 Basis of preparation and presentation of the financial information**

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Murray River Organics for the year ended 30 June 2017.

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the AASB. Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Murray River Organics' significant accounting policies have been consistently applied throughout the periods presented, unless specifically stated, and unless otherwise stated, are disclosed in the December 2016 Prospectus and are incorporated by reference into this Prospectus under section 712 of the Corporations Act.

### **5.2.1 Treatment of the acquisitions of Food Source International and Australian Organic Holdings in the Pro Forma Historical Financial Information**

The Company completed the acquisitions of the assets of Food Source International and Australian Organic Holdings on 14 September 2016 and 23 November 2016 respectively.

The pro forma statement of profit or loss and other comprehensive income and pro forma summarised statement of cash flows:

- include the actual results of Food Source International in the pre-acquisition period from 1 July 2016 to 14 September 2016, adjusted to reflect the intended operating structure under ownership of the Company; and
- include the actual results of Australian Organic Holdings in the pre-acquisition period from 1 July 2016 to 23 November 2016, adjusted to reflect the intended operating structure under ownership of the Company.

### **5.2.2 Treatment of the acquisition of the Fifth Street vineyard and Nangiloc property in the Pro Forma Historical Financial Information**

Murray River Organics completed the acquisition of the Fifth Street vineyard in December 2016, and assumed working possession of the Nangiloc property in May 2017.

An overview of the Fifth Street vineyard and Nangiloc property are provided in Sections 4.3.2 and 4.3.3 of this Prospectus.

The pro forma statement of profit or loss and other comprehensive income and pro forma summary statement of cash flows recognise the full period results of the Fifth Street vineyard and the Nangiloc property as if the acquisition of the Fifth Street vineyard and the Nangiloc property had been completed prior to or as at 1 July 2016.

Consistent with this, the pro forma statement of profit or loss and other comprehensive income recognises the fair value of unharvested agricultural produce and vineyard operating costs forecast from 1 July 2016 to the

acquisition date in December 2016 (for the Fifth Street vineyard) and the date of assumed working possession in May 2017 (for the Nangiloc property).

The pro forma statement of profit or loss and other comprehensive income adjustments relating to the fair value of the unharvested agricultural produce related to the Fifth Street vineyard and the Nangiloc property were based on assumptions developed by the Company based on its commercial and agronomy due diligence (in relation to yield and revenue assumptions) and operating costs of comparable vineyards in the Company's existing vineyard portfolio.

### **5.2.3 Preparation of Historical Financial Information**

The Statutory Historical Financial Information has been derived from the consolidated general purpose financial statements of Murray River Organics (formerly Murray River Organics Ltd) for FY2017 which have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu issued an unmodified audit opinion in relation to the financial statements of Murray River Organics for the year ended 30 June 2017.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus and has been derived from the audited consolidated general purpose statutory financial statements of Murray River Organics for FY2017.

In preparing the Pro Forma Historical Financial Information, several adjustments were made to the Statutory Historical Financial Information including:

- the recognition of the acquisition of the assets of Food Source International and Australian Organic Holdings as if the acquisitions had been completed as at 1 July 2016;
- the recognition of the acquisition of the Fifth Street vineyard and the Nangiloc property as if the acquisitions had been completed as at 1 July 2016;
- the impact of the operating and capital structures expected to be in place following completion of the Offer as if they were in place at 30 June 2017;
- the additional debt drawn down post 30 June 2017 to finance the settlement of Nangiloc property; and
- to exclude other non-recurring items as set out in Section 5.3.

Refer to Table 1, Table 3 and Table 4 for reconciliations between:

- the statutory and pro forma revenue, EBITDA and NPAT for FY2017;
- the statutory and pro forma summarised cash flows for FY2017; and
- the statutory historical consolidated statement of financial position and the pro forma historical consolidated statement of financial position as at 30 June 2017.

### 5.3 Statutory historical and pro forma historical consolidated statement of profit or loss and other comprehensive income

Table 1 sets out a summary of the Company's historical statutory and pro forma consolidated statement of profit or loss and other comprehensive income for FY2017.

**Table 1**

\$millions		Statutory Historical	Pro forma Historical
	Notes	FY2017	FY2017
Revenue		48.5	62.6
Other income	1	1.4	1.2
Fair value of agricultural produce	2	13.2	14.7
Raw materials, finished goods consumed and change in finished goods and work in progress	3	(49.9)	(60.6)
Employee benefits expense	4	(5.8)	(5.8)
Other operating expenses	5	(8.1)	(5.7)
<b>EBITDA</b>		<b>(0.6)</b>	<b>6.4</b>
Depreciation		(4.3)	(4.3)
<b>EBIT</b>		<b>(4.9)</b>	<b>2.1</b>
Finance costs	6	(2.3)	(2.3)
<b>Loss before tax</b>		<b>(7.2)</b>	<b>(0.2)</b>
Income tax benefit/(expense)	7	1.2	0.2
<b>Loss after tax</b>		<b>(6.0)</b>	<b>(0.0)</b>
<b>Other comprehensive income</b>			
Recognition of deferred tax liability on revaluation of assets	8	(2.2)	(2.2)
<b>Total comprehensive income/(loss) for the year</b>		<b>(8.2)</b>	<b>(2.2)</b>

The FY2017 pro forma historical financial information presented in this Prospectus is inclusive of the acquisitions of Food Source International, Australian Organic Holdings, the Fifth Street vineyard and the Nangiloc property. Refer to Sections 5.2.1 and 5.2.2 for an overview of the treatment of these acquisitions.

**Notes.**

- Other income principally comprised of State Government grant incentives.
- The fair value of agricultural produce represents the yield harvested from the Group's vineyards recognised at fair value less costs to sell net of the directly attributable costs of the vineyards and the unharvested agricultural produce recognised at fair value less costs to sell and cost to harvest net of the directly attributable costs incurred during the year. The Group recognises vine and citrus tree assets as bearer plants in accordance with AASB 116 Property plant and equipment. Unharvested agricultural produce is recognised by the Group in accordance with AASB 141 Agriculture initially as Biological assets during the growing cycle, transferring to inventories at fair value less costs to sell at the point of harvest.
- Raw materials and finished goods consumed reflects the fair value of finished goods sold, including the cost of raw materials and consumables used in farming, harvesting and packing activities in addition to the cost of goods sold that were acquired by third parties. In regards to agricultural produce grown by Murray River Organics (dried vine fruit, fresh table grapes and citrus) this reflects the fair value less costs to sell of inventories as sold.
- Employee benefits expense includes salaries and wages of permanent and casual employees engaged by the Group not directly associated with the vineyards or packaging of produce. The pro forma expense assumes the full year contribution of the businesses of Food Source International and Australian Organic Holdings and excludes additional costs of the LTI Plan that are reflected in the statutory expense.
- Other operating expenses include occupancy, freight, repairs and maintenance, marketing, information technology, professional expenses and other general administrative costs.
- Finance costs primarily relate to external borrowings and finance lease costs. A component of the total finance lease costs in FY2017 relating to the development of bearer plants at the Colignan vineyard (\$0.7m) have been capitalised. Pro forma finance costs for FY2017 reflects full year finance costs of a trade finance facility for the businesses of Food Source International and Australian Organic Holdings.
- The pro forma effective income tax expense rate has been calculated with reference to the Australian statutory corporate tax rate of 30% and the income tax effect of the pro forma adjustments recognised.

8. The difference between the accounting and tax cost bases of the freehold land, buildings and bearer plants as a result of the Group restructure (undertaken prior to the IPO) resulted in a deferred tax liability being recognised in other comprehensive income consistent with the recognition of a deferred tax liability presented in the pro forma statement of financial position at 30 June 2017 (refer Table 5).

The pro forma historical statutory consolidated statement of profit or loss and other comprehensive income included in this Prospectus has been derived by applying certain pro forma adjustments to the statutory historical consolidated statement of profit or loss. The pro forma adjustments are set out in Table 2 below:

**Table 2**

\$millions		Historical
	Notes	FY2017
<b>Statutory revenue</b>		<b>48.5</b>
Acquisition of Food Source International and Australian Organic Holdings	1	14.1
<b>Pro forma revenue</b>		<b>62.6</b>
<b>Statutory EBITDA</b>		<b>(0.6)</b>
<b>Pro forma adjustments</b>		
Acquisition of Food Source International and Australian Organic Holdings	1	1.9
Acquisition of the Fifth Street vineyard and the Nangiloc property	2	1.5
Stamp duty	3	1.0
Executive management remuneration	4	0.6
Transaction costs	5	2.0
<b>Pro forma EBITDA</b>		<b>6.4</b>
<b>Statutory NPAT</b>		<b>(6.0)</b>
<b>Pro forma adjustments</b>		
Acquisition of Food Source International and Australian Organic Holdings	1	1.8
Acquisition of the Fifth Street vineyard and the Nangiloc property	2	1.5
Stamp duty	3	1.0
Executive management remuneration	4	0.6
Transaction costs	5	2.0
Impact of effective tax rate	6	(0.9)
<b>Pro forma NPAT</b>		<b>(0.0)</b>

**Notes.**

- Adjustment to reflect the revenue, EBITDA and NPAT contributions of the acquisitions of Food Source International and Australian Organic Holdings, as if the transactions had occurred on 1 July 2016:
  - acquisition of Food Source International in September 2016; and
  - acquisition of Australian Organic Holdings in November 2016.
- Adjustment to reflect the EBITDA and NPAT contributions of the acquisitions of the Fifth Street vineyard and the Nangiloc property as if they had been acquired on 1 July 2016. This adjustment represents the fair value of agricultural produce (\$2.5m), which on a statutory basis is recognised on the opening acquisition balance sheet and not in the statutory statement of profit or loss. The pro forma statement of profit or loss includes the full year operating costs of the acquisitions of the Fifth Street vineyard and the Nangiloc property (\$1.0m).
- Adjustment for accrued stamp duty expense as a result of restructuring activities performed by the Group prior to the Offer. This amount is considered non-recurring and has been excluded from the FY2017 pro forma statement of profit or loss.
- The FY2017 historical statutory statement of profit and loss includes the expense relating to the issuance of performance rights to Erling Sorensen, Jamie Nemtsas and Matthew O'Brien representing a one-time retention incentive and issuance of performance rights in relation to the successful listing of the Group on the ASX. These components have been excluded from the FY2017 pro forma statement of profit and loss as they are not considered representative of the LTI Plan performance rights cost in the ordinary course of business.
- Adjustment to reflect the transaction costs incurred in FY2017 representing:
  - the portion of IPO transaction costs (including advisors, Joint Lead Managers, accounting and legal fees) attributable to the sell-

- down of existing Shares by existing shareholders under the IPO;
  - advisor fees relating to the acquisitions of Food Source International and Australian Organic Holdings; and
  - advisor fees associated with the Group restructure (undertaken prior to the IPO).
6. Adjustment to reflect the net income tax expense effect of the pro forma adjustments based on the Australian statutory corporate tax rate of 30% and the income tax status of the pro forma adjustments.

### **5.3.1 Management discussion and analysis of the pro forma historical consolidated statement of profit or loss and other comprehensive income**

#### **a. General factors affecting the operating results of the Company**

A discussion of the general factors that have affected Murray River Organics' operating and financial performance in FY2017 and which the Directors expect may continue to affect operating and financial performance in the future is set out below.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Murray River Organics' historical operating and financial performance, or everything that may affect Murray River Organics' operating and financial performance in the future.

The information in this Section should also be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

#### **b. Revenue**

Revenue is primarily impacted by three key drivers, namely:

- vineyard portfolio expansion and yields;
- access to global markets; and
- demand trends of Australian supermarkets and end consumers.

#### **Vineyard portfolio expansion and yields**

Refer to Sections 4.1 and 4.3.2 for information regarding Murray River Organics' growth and development of vineyard assets.

#### **Access to global markets and demand trends of Australian supermarkets and end consumers**

Revenue for the year of \$62.6 million included:

- Sales to the retail sector of \$39.8m including sales of MRO branded products (Clusters and Gobble) and the sale of private label products;
- Sales of \$16.0m into the food service sector comprising specialty and natural food distributors; and
- Industrial food sector sales of \$6.8m which comprises sales to food processors of dried vine fruit used in bakery, cereal and confectionery processing and manufacture.

The major products sold for the year included nuts (24%), certified organic coconut products (14%), certified organic dried vine fruit (11%), other dried fruits (11%), conventional dried vine fruit and table grapes (10%) and other food and snacking products (7%).

Sales to Australian and New Zealand based customers comprised approximately 93% of total sales with other sales including Asia, Europe and the United States.

Revenue in FY2017 was adversely impacted by a delayed harvest season caused by an unusually cool and wet spring and a wet period through harvest time which reduced the amount of fruit available for sale leading up to year end. Revenue was also negatively impacted by a slower than anticipated uptake in sales



following delays to the refurbishment of the Company's Sunraysia Facility.

The pro forma revenue contribution of the Australian Organic Holdings and Food Source International businesses acquired in FY2017 is as follows:

- Australian Organic Holdings is \$9.2m from 1 July 2016 to acquisition in November 2016; and
- Food Source International is \$4.9m from 1 July 2016 to acquisition in October 2016.

**c. Fair value of agricultural produce**

The fair value gain on agricultural produce represents the fair value of the actual current year yields (net of costs to sell), less directly attributable costs incurred at the vineyards.

The fair value gain on agricultural produce is influenced by:

- the number of acres under vine, with reference to the vineyard portfolio expansion undertaken by the Company this year as well as prior years. Refer to Sections 4.1 and 4.3.2.
- the maturity profile of the vines (and implied offtake volume per acre) reflecting the conversion to dried vine fruit varieties undertaken by Murray River Organics; and
- the produce mix grown by the Company in each season. In particular, dried vine clusters have a significantly higher fair value relative to dried vine bulk loose berries on a comparative basis per tonne.

The actual yield achieved in 2017 (inclusive of fruit remaining unharvested at 30 June 2017) was approximately 7,500 inclusive of dried fruit, citrus, and table grapes.

Directly attributable vineyard costs, such as fertilisers, water and farm labour, form part of the costs of growing the agricultural produce. Vineyard costs include both fixed and variable components. As an example of variable costs, fertiliser as an input price for production are influenced by weather conditions and the volume of fertiliser required also reflects the actual number of acres under vine. These expenses have historically increased with the growth in the Company's farming activities. Vineyard costs associated with harvesting the dried fruit are expensed as incurred and recognised in the raw materials, finished goods consumed and change in finished goods and work in progress expense in the statement of profit or loss.

FY2017 yields were negatively impacted by a comparatively wet and cold Spring in 2016. The actual bunch weight at harvest was significantly lower than what would typically be expected.

**d. Expenses**

**Raw materials, finished goods consumed and change in finished goods and work in progress**

Raw materials, finished goods consumed and change in finished goods and work in progress includes the actual cost of raw materials, including the cost of commodities procured from external sources, such as nuts, quinoa and coconut oil, and conventional dried vine fruit purchased from third parties and direct costs incurred in harvesting, processing and packing activities. When Company grown products are sold the value of the 'finished goods consumed' is equal to the product's fair value less costs to sell. During the year Management determined it appropriate to adjust some prior year harvest Clusters to loose berries status. This negatively impacted margins to the extent of \$1.8 million and this write down is included within this cost category. Management has subsequently improved the processes around Cluster management and has critically assessed the quality of all Clusters on hand at 30 June 2017.

As previously noted due to unseasonal weather the FY2017 harvest yields were materially lower than expected and given the proportionately higher fixed cost nature of the business, the lower yields have led to a higher cost per kilogram of harvested product.

**Employee benefit expenses**

As at 25 August 2017, the Group employed 115 full time, 4 part time and 24 casual employees.

Employee benefits represent actual salaries and wages, cash and non cash performance incentives and other staff-related costs for the employee work force whom are engaged in non-farming activities.

Direct costs relating to permanent, casual and subcontracted staff engaged in vineyard activities form part of the cost of agricultural produce harvested and these costs are subsequently recognised in 'Raw materials, finished goods consumed and change in finished goods and work in progress' when the associated product is sold.

**Other operating expenses**

Other operating expenses include occupancy, insurance, freight, repairs and maintenance, marketing, finance, information technology, professional expenses, costs incurred in maintaining organic certification and other general administrative costs. Included within statutory other operating costs are \$2.0 million of capital raising and acquisition related professional fees.

**Depreciation**

Depreciation expense comprises depreciation of property, plant and equipment relating to the Company's productive depreciable asset base. This includes depreciation of vineyard assets such as bearer plants.

**Finance costs**

Interest and related fees on borrowings reflect actual costs associated with the historical borrowing arrangements and funding levels of the Company. Included in Finance costs are the finance lease interest expense under the existing finance lease arrangement of the Colignan vineyard which commenced in December 2015.

A portion of the Colignan vineyard in FY2017 included 476 acres of vines designated as developing or immature. Accordingly, \$0.7 million of the finance lease interest expense (being a proportionate amount of the vineyard portfolio under development) has been capitalised as part of the carrying value of leasehold improvements.

## 5.4 Statutory historical and pro forma summarised consolidated statement of cash flows

Table 3 sets out the Company's statutory historical and pro forma summarised consolidated statement of cash flow for FY2017

**Table 3**

\$millions		Statutory Historical	Pro forma Historical
	Notes	FY2017	FY2017
EBITDA	1	(0.6)	6.4
Add back/(deduct) non cash amounts included in EBITDA	2	(12.6)	(14.1)
Change in working capital balances		5.2	5.2
<b>Net cash flows from operations before vineyard acquisition and development capital, financing and tax</b>		<b>(8.0)</b>	<b>(2.5)</b>
Vineyard acquisition and development capital expenditures		(19.4)	(19.4)
Other productivity and growth capital expenditure		(14.5)	(14.5)
Net cash flows from operations after vineyard acquisition and development capital and before financing and tax		(41.9)	(36.4)
Financing costs including capitalised interest	3	(3.0)	(3.2)
Tax	4	(0.5)	(1.6)
<b>Net cash flows from operations after vineyard acquisition and development capital, financing and tax</b>		<b>(45.4)</b>	<b>(41.2)</b>
Payments for acquisition of Food Source International and Australian Organic Holdings incl. amounts held in escrow		(17.2)	(17.2)
Proceeds from Colignan lessor		2.4	2.4
Sale of water rights		0.4	0.4
Receipt of loans from related parties		0.4	0.4
Proceeds from borrowings		16.2	16.2
Proceeds from IPO equity issue net of costs		43.4	43.4
<b>Net cash flows</b>		<b>0.4</b>	<b>4.4</b>

The FY2017 pro forma historical financial information presented in this prospectus is inclusive of the acquisitions of Food Source International and Australian Organic Holdings, the Fifth Street vineyard and the Nangiloc property. Refer Sections 5.2.1 and 5.2.2 for an overview of the treatment of these acquisitions in the Financial Information respectively.

*Notes.*

1. *Pro forma adjustments to the FY2017 EBITDA relate to the pre acquisition EBITDA of Food Source International and Australian Organic Holdings, the pro forma EBITDA contribution of the Fifth Street vineyard and the Nangiloc property, certain costs associated with the IPO and non cash employee share based payments (see Table 2).*
2. *The FY2017 pro forma change in non cash amounts included in EBITDA reflects the fair value of agricultural produce (\$2.5m), which on a statutory basis is recognised on the opening acquisition balance sheet and not in the statutory statement of profit or loss. The pro forma statement of profit or loss includes the full year operating costs of the Fifth Street vineyard and the Nangiloc property (\$1.0m).*
3. *The FY2017 pro forma finance costs reflect the full year impact of trade finance facilities associated with the Food Source International and Australian Organic Holdings. The pro forma net proceeds from the trade finance facility excludes the initial funding of acquiring inventories of Food Source International and Australian Organic Holdings at the respective transaction completion dates.*
4. *FY2017 pro forma income tax payments reflect the pro forma additional tax payable in relation to the pro forma EBITDA of acquisitions*

*of Food Source International, Australian Organic Holdings, the Fifth Street vineyard and the Nangiloc property.*

#### **5.4.1 Management discussion and analysis of the statutory historical and pro forma summarised consolidated statement of cash flows.**

The statutory historical and pro forma summarised consolidated statement of cashflows reflect the Company's investment in vineyard development and the company's processing and distribution facilities.

Statutory and pro forma cashflows from operations were negative predominately due to:

- The increased working capital requirements of the Food Source International and Australian Organic Holdings businesses
- Higher than normal inventory and agricultural produce on hand due to the delayed harvest of the FY2017 crops; and
- The negative impact on revenue from the delayed harvest.

The statutory and pro forma cashflows highlight the significant amount of investment that occurred during FY2017 including:

- \$19.5m spent on acquiring new, and expanding/developing, existing vineyards and other properties (this includes the Fifth Street vineyard and the deposit paid on the Nangiloc property) as well as the investment on existing immature vineyards.
- \$17.2m (inclusive of \$2.2m held in escrow) was paid in consideration for the acquisition of Food Source International and Australian Organic Holdings, inclusive of inventory acquired from the acquisition date.
- \$14.5m was spent on other productivity and growth initiatives including the upgrade of the Sunraysia Facility, the commissioning of the Dandenong Facility including the associated equipment and machinery purchases.

To fund the operating cashflows and significant investment activities the Company was able to:-

- Increase external borrowings by \$16.2m predominately due to increases in the existing trade finance facilities;
- Receive \$43.4m cash proceeds from pre-IPO and IPO capital raisings that occurred during the year; and
- Receive \$2.4m in contributions from the landlord of the Colignan vineyard as reimbursement of development expenditure undertaken on the leasehold property.

## **5.5 Pro forma historical consolidated statement of financial position as at 30 June 2017**

### **5.5.1 Pro forma adjustments to the statutory historical consolidated statement of financial position**

Table 4 sets out the pro forma adjustments that have been made to the statutory historical consolidated statement of financial position in order to prepare the pro forma historical consolidated statement of financial position.

These adjustments reflect the following events and transactions:

- the proceeds of the Offer and the impact of the operating and capital structures that will be in place following Completion of the Offer as if these events had occurred or were in place as at 30 June 2017; and

- the drawdown of additional debt of \$7.2 million to settle the acquisition of the 7,515 acre Nangiloc property in July 2017.

The pro forma historical consolidated statement of financial position is provided for illustrative purposes only. It is not intended to be representative of the Company's view on its future financial position.

In particular cash and cash equivalents in the pro forma historical consolidated statement of financial position has been adjusted to reflect the events noted above as if they took place as at 30 June 2017, and has not been adjusted for various anticipated cash requirements of Murray River Organics between 30 June 2017 and Completion of the Offer.

Table 4

\$m	Notes	Statutory	Impacts of the Offer (1) and related pro forma adjustments	Pro forma
<b>Current Assets</b>				
Cash and cash equivalents	2	2.7	4.8	7.5
Trade and other receivables		8.9		8.9
Inventories		27.1		27.1
Biological assets		4.4		4.4
Assets held for sale		2.1		2.1
Other current assets		4.2		4.2
<b>Total current assets</b>		<b>49.4</b>		<b>54.2</b>
<b>Non-current assets</b>				
Property, plant and equipment		82.2		82.2
Deferred tax assets		1.8		1.8
Intangible assets		10.7		10.7
<b>Total non-current assets</b>		<b>94.7</b>		<b>94.7</b>
<b>Total assets</b>		<b>144.1</b>		<b>148.9</b>
<b>Current liabilities</b>				
Trade and other payables	3	18.1	(7.2)	10.9
Borrowings	3	17.3	(6.5)	10.8
Current tax liabilities		0.9		0.9
Provisions		4.1		4.1
Other liabilities		0.5		0.5
<b>Total current liabilities</b>		<b>41.0</b>		<b>27.3</b>
Borrowings	3	33.2	7.2	40.4
Deferred tax liability		3.2		3.2
Provisions		0.4		0.4
<b>Total non-current liabilities</b>		<b>36.8</b>		<b>44.0</b>
<b>Total liabilities</b>		<b>77.8</b>		<b>71.4</b>
<b>Net assets</b>		<b>66.3</b>		<b>77.5</b>
<b>Equity</b>				
Issued capital	4	112.0	11.2	123.7
Reserves		(41.6)		(42.2)
Retained earnings / (losses)		(4.1)		(4.1)
<b>Total equity</b>		<b>66.3</b>		<b>77.5</b>

**Notes.**

- Impact of the Offer: includes the envisaged primary raising of the Offer (\$12.1m), the recognition of the associated transaction costs (\$0.8m) and amortisation of the existing debt facility (\$6.5m). The net cash impact is \$4.8m.
- Cash and cash equivalents adjustments reflect the net cash remaining on hand after the net proceeds of the Offer and debt amortisation.
- The reduction in trade and other payables of (\$7.2m) and the offsetting increase in non current borrowings of \$(7.2m) reflects the settlement of the Nangiloc property in July 2017 as if it occurred at 30 June 2017.
- Issued capital of \$124.0m on a pro forma basis reflects the effect of the Offer (\$12.0m) net of capitalised transaction costs

directly associated with the Offer.

### 5.5.2 Indebtedness

Table 5 sets out the indebtedness of the Company as at 30 June 2017 (statutory and pro forma) following Completion of the Offer:

Table 5

\$m	Notes	Statutory	Pro forma
Cash and cash equivalents	1	2.7	7.5
Borrowings	2	(31.3)	(32.0)
Finance lease liabilities		(19.2)	(19.2)
<b>Net Indebtedness</b>		<b>(47.8)</b>	<b>(43.7)</b>

#### Notes

1. The difference between the statutory and pro forma cash and cash equivalents position at 30 June 2017 reflects the pro forma adjustments as set out in Table 4.
2. Pro forma borrowings reflect the amortisation of part of the senior debt facilities (\$6.5m) and the additional draw down of debt (\$7.2m) in July 2017 to settle the Nangiloc property.

### 5.5.3 Description of Banking Facilities

Members of the Group have entered into a suite of banking facilities with National Australia Bank Limited (NAB). The following material banking facilities are currently in place:

- Business Markets Loans with facility limits of \$11.283 million (\$3 million maturing at the earlier of 31 October 2017 or completion of the Entitlement Offer and the Placement, and the remainder maturing on 31 March 2020), \$8.3 million (maturing on 30 June 2020) and \$3 million (maturing on 24 April 2019) to facilitate the purchase of the Group's real property and to finance the Group's business. The \$11.283 million loan attracts a variable interest rate comprising NAB's Business Lending Rate plus an agreed customer margin, the \$8.3 million and the \$3 million loans attract a fixed interest rate until the loan's maturity date.
- Documentary Letter of Credit Facility with a facility limit of \$18.0 million to support the working capital requirements of the business. This facility attracts a variable interest rate comprising NAB's Australian Trade Refinance rate (at the time of drawing) plus an agreed customer margin. This facility limit will reduce to \$16 million no later than 30 November 2017, via a reallocation to the Master Asset Finance facility (refer below).

In addition to the above facilities, the Company has entered into a Master Asset Finance Agreement pursuant to which the Group purchases plant and equipment as required. Pursuant to this facility, the Group has entered into separate equipment loans with fixed loan repayment terms, this facility has a limit of \$4.5 million, increasing to \$6.5 million no later than 30 November 2017 via a reallocation from the Documentary Letter of Credit Facility. Murray River Organics has also entered into a Bank Guarantee Facility with a limit of \$1.53 million for the purposes of the leased properties and a Foreign Exchange and Derivative Transactions Master Agreement pursuant to which the Group manages its foreign exchange requirements.

### Financial Covenants

The terms of the Business Markets Loan Agreements and the Documentary Letter of Credit Facility require compliance with certain financial covenants. Failure to comply with these financial covenants will lead to an event of default under these facilities. Key financial covenants that the Group is required to comply with (amongst others) include:

- Interest cover ratio for the Company measured six monthly at 31 December and 30 June each year. Interest cover ratio is defined as the ratio of Earnings Before Interest and Tax divided by Total Interest Charges. The calculation of interest cover specifically excludes interest incurred under the

Colignan vineyard finance lease commitment.

- Minimum stock / debtors / inventory to working capital debt ratio measured six monthly at 31 December and 30 June each year.
- Maximum dividend payout or shareholder / beneficiary loans to be of 50% of NPAT as measured for the financial year end (ending 30 June) annually for the Group.

### Security Arrangements

Each of the above described banking facilities are secured.

In addition to guarantees, indemnities and charges given by members of the Group, the following specific security arrangements have been entered into:

- General Security Agreements have been entered into by members of the Group.
- Mortgages have been registered over the Group's real property.

### Representations, warranties and undertakings

In addition to the financial covenants set out above, the banking facilities contain certain representations, undertakings and events of default. A breach of these representations or undertakings, or the occurrence of an event of default, may lead to the funds borrowed becoming due (amongst other consequences).

The events of default under the Business Markets Loan Agreements, the Line of Credit Facility and the Documentary Letter of Credit Facility are customary and include (amongst others) where the relevant Group member or a provider of security in relation to these banking facilities:

- fails to pay on time any amount due.
- fails to comply with any provision of any agreement between the Group member or security provider (as applicable) and NAB and, where that failure is remediable, it is not remedied to NAB's satisfaction within any time period required by NAB.
- gives NAB information which NAB reasonably believes to be incorrect or misleading (including by omission) in connection with any agreement between the Group member or security provider (as applicable) and NAB.
- is subject to a change in the Group member's or security provider's (as applicable) financial circumstances which, in NAB's opinion, may have a material adverse effect on that entities ability to meet its obligations to NAB.

#### 5.5.4 Lease commitments

Table 6 summarises the Company's lease commitments as at 30 June 2017.

**Table 6**

\$m	Notes	<1 year	1-5 years	>5 years
Finance lease commitments	1	1.4	7.9	47.8
Operating lease commitments	2	1.4	3.8	2.03

#### Notes

1. *Non-cancellable finance lease commitment relating to the Colignan property. The leased liability is secured by the underlying leased asset which had a carrying value of \$18.4m at 30 June 2017. As at the date of this Prospectus, the lease has a remaining term of 24 years.*

2. *Non-cancellable operating lease commitments in relation to property assets and short-term temporary water entitlements.*

### **Non-cancellable operating lease commitments**

The Company's non-cancellable operating leases relate to property assets and short term temporary water entitlements.

#### **Colignan vineyard finance lease commitment**

During FY2016, the Company commenced a 25-year lease of the Colignan vineyard property with Arrow Primary Infrastructure Fund. At 30 June 2016, the Colignan property finance lease had future minimum lease payments totalling \$57.0 million. The finance lease is non-cancellable with an implicit interest rate of 11.3% and a remaining term of 24 years. The Company's obligations under the finance lease are secured by the lessors' title to the lease property assets.

#### **5.5.5 Liquidity and capital resources**

Following Completion of the Offer, Murray River Organics' principal sources of funds will be cash flows from operations, borrowings under the banking facilities (described in Section 5.5.3) and finance lease arrangements (described in Section 5.5.4). The pro forma balance sheet as at 30 June 2017 (see Section 5.5.1) highlights a pro forma cash balance of \$7.5 million post Completion of the Offer after payment of Offer related costs and expenses and the other items included in the pro forma adjustments.

Directors and management expect that the Company will have sufficient operating cash flow to fund its operational requirements and business needs in FY2018 and together with its banking facilities and finance lease arrangements, will position the Company to deliver its Business plan.

#### **5.5.6 Contingent liabilities**

Murray River Organics provides bank guarantees in relation to third party grower's contracts and leased properties. As at 30 June 2017, these guarantees totaled \$1.513 million.

### **5.6 Dividend policy**

The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial position of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors that the Directors may consider relevant.

It is the Director's current intention to target a dividend payout of 30% - 50% of annual NPAT. The level of payout ratio is expected to vary between periods depending on various factors as discussed above. Should value accretive strategic growth, acquisition or investment opportunities arise, it may result in a dividend payout in the future that is less than the above target.

The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from 1 July 2017 to 30 June 2018, and hence may become payable in FY2019.

The Company intends to frank dividends to the maximum extent possible, having regard to the level of the Company's available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend on the Company's and/or Group's franking account balance (which will be nil at Completion of the Offer) and its level of distributable profits. The Company's and/or Group's franking account balance will depend on the amount of Australian income tax paid by the Company and/or the Group. The ability of the Company to frank dividends may also be impacted by the 'deferred franking debit' associated with the Group's past R&D tax offset refunds (refer Section 6.3.4).

To the extent that a dividend is unfranked or partially franked, the Directors intend to declare the unfranked portion to be conduit foreign income to the maximum extent possible, having regard to the level of the Company's available conduit foreign income at the time of the future unfranked dividend payment. The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will



depend on the Company's and/or Group's conduit foreign income balance (which will be nil at Completion of the Offer) and its level of distributable profits. The Company's and/or Group's conduit foreign income balance will depend, amongst other things, on the amount of foreign (non-Australian) income tax paid by the Company and/or Group.

Investors who are not residents of Australia and who acquire the Company's Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Company's Shares.

A summary of certain Australian tax consequences of participating in the Offer and investing in New Shares is set out in Section 10.10.

No assurances can be given by any person, including the Directors, about the payment of dividends and the level of franking or conduit foreign income on such dividends.

## **5.7 Summary of significant accounting policies**

Set out below are additional accounting policies adopted in preparing the Financial Information in addition to those outlined in section 4.11 of the December 2016 Prospectus (refer to Section 2.2).

### **(a) Share based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### **(b) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the

Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

#### **(d) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Sharebased Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

# **6. Key risks.**

## 6. Key risks

### 6.1 Introduction

This Section describes some of the potential material risks associated with Murray River Organics' business, the industry in which it operates, and an investment in New Shares. Murray River Organics is subject to a number of risks both specific to its business activities and of a general nature, which may either individually or in combination materially adversely impact the future operating and financial performance of Murray River Organics, the investment returns and the value of Shares.

The occurrence or consequences of some of the risks described in this Section are partially or completely outside of the control of Murray River Organics, its Directors and Management Team. Investors should note that this Section 6 does not purport to list every risk that may be associated with Murray River Organics' business, the industry in which it operates, or an investment in New Shares, now or in the future. The selection of risks has been based on Murray River Organics' assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur.

This assessment is based on the knowledge of the Directors as at the date of the Prospectus, but there is no guarantee or assurance that the risks will not change or that other risks will not emerge. There can be no guarantee that the Group will achieve its stated objectives, or that any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance may not be a reliable indicator of future performance. Before applying for New Shares, investors should satisfy themselves that they have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for them, having regard to their investment objectives, financial circumstances and taxation position. Investors should seek advice from their stockbroker, solicitor, accountant, taxation adviser, financial adviser or other independent professional adviser (as applicable) before deciding whether to invest in Murray River Organics.

### 6.2 Risks specific to an investment in Murray River Organics

#### 6.2.1 Yields and climate

As with any viticultural crop, there are a number of factors that may affect yield. While Murray River Organics takes steps to minimise annual variations in yields and production from its own farming operations, yields may vary from vine to vine, from crop type to crop type and from harvest to harvest, which may impact Murray River Organics' performance.

For example, as an agricultural producer, weather and climatic conditions directly affect the business operations of the Group. Climate change or prolonged periods of adverse weather and climatic conditions may have a negative effect on agricultural productivity, which may result in decreased availability or less favourable pricing for certain commodities that are necessary for its products.

In particular, the organic ingredients that are used in the production of Murray River Organics' products (including, among others, fruits, vegetables, nuts and grains) are vulnerable to adverse weather conditions and natural disasters, such as floods, hail, droughts, water scarcity, temperature extremes, frosts, earthquakes and pestilences. Natural disasters and adverse weather conditions (including the potential effects of climate change) can lower crop yields and reduce crop size and crop quality, which in turn could reduce availability of organic ingredients or increase the prices of organic ingredients sourced from third party suppliers. If the Group's supplies of organic ingredients are reduced, Murray River Organics may not be able to find sufficient supply sources on favourable terms, if at all, which could impact the Group's ability to supply product to customers and adversely affect Murray River Organics' business, including financial condition and results of operations.

### **6.2.2 Water supply**

An adequate supply of suitable water is crucial to the success of Murray River Organics' ability to grow crop on its properties.

While the irrigation water from both the Murray River and the Darling River is currently suitable for dried vine fruit production, having particular regard to its salinity, there is a risk that Murray River Organics could be exposed to a number of natural events such as floods, storms, fire, oil spills and adverse movements in the environment, such as changes in salinity levels, many of which are beyond Murray River Organics' control. Changes to the availability of water or water quality may impact Murray River Organics' operations.

Whilst Murray River Organics has leased permanent water entitlements and has an option to extend these rights, unexpected changes in climatic conditions may affect future allocation or availability of permanent water entitlements. There is a risk to Murray River Organics that if access to water supply was significantly limited or restricted, or if there was a material increase in the price of water, this could have a material impact on Murray River Organics' farming operations or costs, and its subsequent financial performance.

Murray River Organics' policy is to put in place forward long-dated leasing agreements and from time to time to consider purchasing and owning permanent water entitlements to minimise this risk where possible.

### **6.2.3 Uncontracted sales arrangements**

Murray River Organics' growth is dependent on successfully maintaining existing, and securing new customers. A significant proportion of Murray River Organics' revenue is currently attributable to currently uncontracted customer relationships, using Murray River Organics' or the customers' standard terms and conditions of sale. These arrangements can be terminated or varied by the customer on short notice and without penalty. In many instances, customers are under no obligation to continue purchasing Murray River Organics' products or to purchase a particular volume of products. There is a risk that the Group will be unable to maintain these customer relationships, or secure new customers on terms that are acceptable to the Group. In addition, it is not possible to guarantee consistency in respect of the volume, prices and terms for future transactions.

If Murray River Organics is unable to secure customers on terms reasonably acceptable to the Group, this could materially and adversely affect Murray River Organics' revenue and profitability. There is a risk that new customer relationships may be less favourable to Murray River Organics, including in relation to pricing and other key terms, due to unanticipated changes in the market in which the Group operates.

### **6.2.4 Short term customer contracts**

Some of Murray River Organics' customer contracts are short term, with supply periods typically for one season or one year (which may depend on the product's seasonality), and the prices at which its products are sold are subject to fluctuation depending on the level of supply and demand at the time the products are sold. In addition, a significant proportion of these customer contracts do not have fixed or minimum volume requirements and do not oblige customers to continue purchasing Murray River Organics' products.

Murray River Organics' market share and/or profit margins could be materially and adversely impacted by customers taking actions that are adverse to the Group's interests, including:

- materially changing its trading terms with Murray River Organics;
- promoting the products of one or more of Murray River Organics' competitors or new entrants into organic, natural or better-for-you food products; or
- refusing to promote or stock Murray River Organics' products or significantly reducing orders for its products.

### **6.2.5 Loss of organic certification and deterioration in the Murray River Organics brand**

The Group relies on independent certification, such as certifications of some of its products as "organic" to differentiate the Group's products from others. Quality control issues in respect of raw materials and ingredients may result in the loss of any independent certifications, which could adversely affect the Group's

market position as a certified organic and natural products company and result in a loss of consumer confidence in the brands of Murray River Organics, which could adversely affect its business and financial operation.

In addition, a failure to provide customers with the quality of product they expect from Murray River Organics, or a recall issue could adversely affect consumer confidence in the Murray River Organics brand.

#### **6.2.6 Reduced ability to access raw organic ingredients**

Murray River Organics' ability to ensure a continuing supply of organic ingredients not grown by the Group at competitive prices depends on many factors beyond the Group's control, such as the number and size of farms that grow organic crops, climate conditions, changes in national and world economic conditions, currency fluctuations and forecasting adequate need of seasonal ingredients.

For certain products, Murray River Organics also competes with other manufacturers in the procurement of organic product ingredients, which may be less plentiful in the open market than conventional product ingredients. This competition may increase in the future if consumer demand for organic products increases. This could cause the expenses of the Group to increase or could limit the amount of product that Murray River Organics is able to manufacture and sell.

The inability of any supplier of raw materials, or other service provider to Murray River Organics to deliver products or perform their obligations in a timely or cost-effective manner could cause the Group's operating costs to increase and profit margins to decrease. There is a risk that the Group may fail to accurately forecast demand or suppliers may fail to meet the requirements of the Group. This may result in the Group having inadequate supplies to meet consumer demand, or, alternatively the Group holding too much inventory on hand that may reach its expiration date and become unsaleable. If the Group is unable to manage its supply chain efficiently and ensure that sufficient products are available to meet consumer demand, the operating costs of the Group could increase and profit margins could decrease, which may have an adverse effect on the financial condition of Murray River Organics.

In addition, many aspects of the business of Murray River Organics have been, and may continue to be, directly affected by volatile commodity costs, including fuel, that are subject to price volatility which can be caused by various factors, many of which are outside the control of Murray River Organics. Volatile fuel costs translate into unpredictable costs for the products and services Murray River Organics receives from third party providers including, but not limited to, distribution and packaging costs for products. If the Group is unable to fully offset the volatility of such costs, the financial results of the Group could be adversely affected.

#### **6.2.7 Consolidation of customers or the loss of a significant customer**

Customers, such as supermarkets and food distributors in some of the geographical markets in which the Group sells products, continue to consolidate. This consolidation has produced larger, more sophisticated organisations with increased negotiating and buying power that are able to resist price increases or demand increased promotional programs, as well as operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, which could negatively impact the business and profitability of the Group. The consolidation of retail customers also increases the risk that a significant adverse impact on the business of those customers could have a corresponding material adverse impact on the business of Murray River Organics.

In addition, Murray River Organics depends on continued relationships with its current significant customers. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will continue to be successful.

There is a risk that Murray River Organics may lose customers for a variety of reasons, including a failure to meet key requirements under the contract, material breach of contract, or customers increasing their emphasis on private label products.

The loss of any large customer, particularly key customers such as major Australian supermarkets, the reduction of purchasing levels or the cancellation of any business from a large customer for an extended length of time could negatively impact the Group's sales and profitability. Depending on the reason for the loss of a key customer, it may also have a negative impact on the Group's reputation.

#### **6.2.8 Loss or deterioration of supply arrangements**

Murray River Organics' relationships with suppliers are often governed by individual purchaser orders and invoices. Under those arrangements, suppliers may seek to alter the terms on which products are supplied as well as the range of products available for supply. This may result in changes in pricing levels and a reduction in the range of products made available to Murray River Organics, both of which could adversely impact Murray River Organics' ability to successfully provide customers with a wide range of products at competitive prices. If this occurred, this would be likely to reduce Murray River Organics' overall profitability and adversely impact its financial performance.

#### **6.2.9 Risk that Murray River Organics' growth plans cannot be executed as anticipated**

Murray River Organics intends to continue to grow the Group's business in part through the acquisition of new businesses and brands, both in Australia and internationally. This acquisition strategy is based on identifying and acquiring businesses and brands with products that complement the Group's existing product mix and identifying and acquiring businesses and brands in new categories and in new geographies for purposes of expanding the Group's business internationally. There is a risk that Murray River Organics will not be able to successfully:

- identify suitable acquisition candidates;
- negotiate acquisitions with identified candidates on terms acceptable to Murray River Organics; or
- integrate acquisitions made by the Group.

In addition, businesses or brands acquired may not achieve the level of sales or profitability that justify the investment made. Murray River Organics may determine to discontinue products if, among other reasons, they do not meet the Group's standards for quality or profitability or both, which may have a material adverse effect on sales relating to such acquisition.

The Group intends to continue to expand its global footprint in order to enter into new markets. This may involve expanding into new geographical markets, including developing countries, which may have less political, social or economic stability and less developed infrastructure and legal systems than those areas in which the Group currently operates. There is therefore a risk that these initiatives may result in unforeseen costs or risks, or may not deliver the outcomes intended, which may have a material adverse effect on the financial performance of the Group's business.

#### **6.2.10 Access to funding**

The Company may require further debt or equity funding in the future in order to fund growth strategies, in particular, acquisitions. There is a risk that the Company may be unable to access debt or equity funding from the capital markets or its existing lenders on favourable terms, or at all.

#### **6.2.11 Failure to respond to changes in consumer trends**

The business of Murray River Organics is primarily focused on sales of organic, natural and better-for-you products which are subject to continually evolving consumer preferences. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes.

A significant shift in consumer demand away from products of Murray River Organics or a failure by Murray River Organics to maintain its current market position could reduce sales or the value of its brands in those markets, which could adversely affect the business of the Group. While the Group continues to diversify product offerings, developing new products entails risks, and Murray River Organics cannot be certain that demand for the Group's products will continue at current levels or increase in the future.

#### **6.2.12 Product liability**

The sale of products for human use and consumption involves the risk of injury or illness to consumers. There is a risk that injuries may result from inadvertent mislabelling, tampering by unauthorized third parties or product

contamination or spoilage. Under certain circumstances, Murray River Organics may be required to recall or withdraw products, suspend production of products or cease operations, which may lead to a material adverse effect on the business and profitability of the Group.

In addition, customers may cancel orders for such products as a result of such events. Further, even if a situation does not necessitate a recall or market withdrawal, product liability claims might be asserted against Murray River Organics.

#### **6.2.13 Regulatory risk**

The Group is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to the Group include environmental, occupational health and safety, quarantine, customs and tariff and taxation laws. Safety, employment and similar regulations give rise to significant requirements and compliance costs for the Group. In addition, as a public company listed on the ASX, the Company is required to comply with the Corporations Act and ASX Listing Rules. From time to time, this may result in investigations and disputes by Federal and State regulatory bodies, including ASIC, ASX and the Australian Taxation Office. Non-compliance with such laws and regulations, or the introduction of new laws and regulations, may occur, which could have a material adverse impact on the Group's business, liabilities, financial condition, results, operations or liquidity.

ASIC has raised with the Company concerns regarding the Company's continuous disclosure compliance. ASIC's concerns relate specifically to the timing of the trading update released by the Company to ASX after close of trading on 4 May 2017, and whether this could (and should) have been released late on 3 May 2017. Whilst the Company is fully co-operating with ASIC, the Company does not make any admission of liability or contravention in connection with its continuous disclosure practices.

On 17 November 2016 the Company became aware of correspondence from the Fair Work Ombudsman alleging that 14 former employees at the Company's storage and processing facility in Mourquong, NSW had been underpaid, in aggregate, \$12,812.28 in the period from October to November 2015. The underpayments arose because these employees had been erroneously paid piece rates for work instead of an hourly rate for a single pay period. These underpayments were rectified in March 2017. However, the FWO also alleges that the Food, Beverage and Tobacco Manufacturing Industry Award 2010 (**FBT Award**) applies, which differs from the Company's view which is that the Horticulture Award 2010 applies. The Company is contesting this issue and asked the FWO to reconsider its assessment of the applicable award on the basis that the FBT Award says that it does not apply to employers covered by the Horticulture Award 2010. Whilst the FWO has acknowledged that the Horticulture Award 2010 does apply to the Company at its other sites, it maintains its original position that the FBT applies to the Mourquong site. However, in March 2017, the FWO agreed to place its inquiry in abeyance until the outcome of the Four Yearly Review into the Horticulture Award 2010 is finalised, noting that one of the issues being considered is the coverage clause of the Horticulture Award 2010. If the review confirms the position of the Company, the FWO has indicated that it will not prosecute the Company. If the outcome supports the position of the FWO, the Company will be required to pay employees the higher FBT Award rates and could be subject to a maximum penalty of \$63,000 for each failure to do so (which the Company understands would likely be limited to \$63,000 in aggregate in the circumstances).

#### **6.2.14 Operation in highly competitive markets**

Murray River Organics operates in highly competitive geographic and product markets. Numerous brands and products compete for limited retailer shelf space, where competition is based on product quality, brand recognition, brand loyalty, price, product innovation, promotional activity, availability and taste among other things.

Some of the Group's markets are dominated by multinational corporations with greater resources and more substantial operations than Murray River Organics. Murray River Organics cannot be certain that the Group will successfully compete for sales to industrial customers, distributors or retailers that purchase from larger competitors that have greater financial, managerial, sales and technical resources. The Group also competes with other organic and natural packaged food brands and companies, which may be more innovative and able to bring new products to market faster and better able to quickly exploit and serve niche markets. Such competitive forces which may result in an adverse impact on the profitability and prospects of the Group.



#### **6.2.15 Pests and diseases**

Murray River Organics applies disease and pest management practices to monitor vines and control the onset and spread of these risks. However, there is a risk that an outbreak of disease or pests could have a material impact on Murray River Organics' profits and operations.

#### **6.2.16 Inability to secure adequate insurance**

While the Group seeks to maintain insurance coverage that is consistent with industry practice, there is a risk that any claim under the Group's insurance policies may be subject to certain exceptions, may not be honoured fully, in part, in a timely manner, or at all. There is also a risk that the Group is unable to purchase sufficient insurance to cover all losses incurred. If the Group were to incur substantial liabilities, or if its business operations were interrupted for a substantial period of time, the Group would be required to incur costs and may suffer losses. Such inventory and business interruption losses may not be fully covered, or covered at all, by the Group's insurance policies. Additionally, in the future, insurance coverage may not be available to the Group at commercially acceptable premiums, or at all.

#### **6.2.17 Interruption in, disruption of or loss of operations at one or more of the Group's facilities**

An interruption in, disruption of or the loss of operations at one or more of these facilities could delay or postpone production of products, which could have a material adverse effect on the business, results of operations and financial condition of the Group until such time as the interruption of operations is resolved or an alternate source of production could be secured.

In addition, Murray River Organics must maintain and renew the appropriate permits and licenses required to operate its business. Murray River Organics is subject to regular inspections, examinations and audits by governmental authorities and licensing bodies. If serious or repeated findings of non-compliance did occur, there is a risk that this would have a negative impact on Murray River Organics' ability to renew its licenses and may have a materially adverse impact on its business operations and financial performance.

#### **6.2.18 Adverse movement in exchange rate**

Operating in international markets involves exposure to movements in currency exchange rates, which may be volatile at times. The economic impact of currency exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors.

Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors. These changes, if material, could cause adjustments to the Group's financing and operating strategies.

The Group holds assets and may incur liabilities, earn revenue, and pay expenses in a variety of currencies other than the Australian dollar, primarily the U.S. dollar and the Euro. The Group's consolidated financial statements are presented in Australian dollars, and therefore the Group must translate the assets, liabilities, revenue, and expenses into Australian dollars for external reporting purposes.

As a result, significant changes in the value of the Australian during a reporting period may unpredictably and adversely impact the Group's consolidated operating results, asset and liability balances and cash flows in the Group's consolidated financial statements, even if the underlying value of these items has not changed in their original currency.

#### **6.2.19 Loss of key personnel**

Murray River Organics' success depends to a significant extent on its ability to attract and retain suitably qualified key personnel. The loss of key management personnel, or any delay in their replacement could have a significant adverse effect on the management of the Murray River Organics, its financial performance and future prospects.

#### **6.2.20 Litigation and disputes**

There is a risk that Murray River Organics could be involved in litigation relating to its key contracts, core commercial activities, employee personal injury and termination of employment claims and, if such claims were to materially increase, costs to the business would increase in turn. Such increases may have a negative impact on the profitability and financial performance of the Company.

Similarly, frequent or high profile litigation may undermine consumer confidence in the Murray River Organics brand or adversely affect the investment market's perception of Murray River Organics, which could in turn, negatively impact the financial performance of the Company or the price of Shares in the Company.

#### **6.2.21 Inability to implement and achieve targeted savings and efficiencies from cost reduction initiatives**

The Group's success depends on the Company's ability to execute and realise cost savings and efficiencies from the Group's operations. While the Company continuously seek to put in place initiatives which are designed to control or reduce costs and also increase operating efficiencies, if the Company is unable to identify and fully implement its productivity plans and achieve the anticipated efficiencies, the profitability of the Group may be adversely impacted.

In addition, the Group's profit margins also depend on its ability to manage inventory and stock levels efficiently. As part of the continued effort to manage inventory more efficiently, the Group carries out SKU rationalisation programs from time to time, which may result in the discontinuation of numerous lower-margin or low- turnover SKUs. However, a number of factors, such as changes in customers' inventory levels, access to shelf space and unexpected changes in consumer preferences, may lengthen the number of days the Group is required to carry certain inventories. This may impede the Group's effort to manage inventory efficiently and result in an increase in costs.

### **6.3 General risks of an investment in Murray River Organics**

#### **6.3.1 Price of Shares**

As a publicly listed company on the ASX, the Company is subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by Murray River Organics' fundamental operations and activities.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the New Shares will increase following Completion of the Offer, even if Murray River Organics' earnings increase.

Some of the factors which may adversely impact the price of the Shares include:

- fluctuations in the domestic and international market for listed securities;
- general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings;
- changes in legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Murray River Organics operates; and
- general operational and business risks.

#### **6.3.2 Trading and liquidity in Shares**

Even though the New Shares are quoted on the ASX, there can be no guarantee of an active trading market for the New Shares or that the price of the New Shares will increase following Completion of the Offer. There may be relatively few potential buyers or sellers of the New Shares on the ASX at any given time. This may increase the volatility of the market price of the New Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their New Shares under the Placement and Entitlement Offer.

### 6.3.3 Shareholder dilution

In the future, the Company may elect to issue Shares or engage in capital raisings to facilitate employee share plans, fund acquisitions, or undertake other strategic initiatives. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.

### 6.3.4 Inability to pay dividends or make other distributions or potential for dividends paid not to be franked or attach conduit foreign income

There is no guarantee that dividends will be paid on Shares in the future, as this is a matter to be determined by the Board in its discretion and the Board's decision will have regard to, amongst other things, the financial performance and position of the Company, relative to its capital expenditure and other liabilities.

Moreover, to the extent that the Company pays any dividends, the Company may not have sufficient franking credits in the future to frank dividends or sufficient conduit foreign income in the future to declare an unfranked dividend (or the unfranked portion of a partially franked dividend) to be conduit foreign income. Alternatively, the franking system and/or the conduit foreign income system may be subject to review or reform.

The extent to which a dividend can be franked will depend on the Group's franking account balance and its level of distributable profits. The Group's franking account balance is contingent on the Group making Australian taxable profits and will depend on the amount of Australian income tax paid by the Group on those Australian taxable profits. The Group's Australian taxable profits may be volatile, making the payment of franked dividends unpredictable. As the Group continues to expand its overseas operations, this may or is likely to reduce the Australian income tax paid on the Group's income and profits, which may reduce the Company's ability to frank dividends.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances.

The Group has also previously received R&D tax offset refunds. Where such refunds are obtained, subsequent payments of income tax (up to the amount of the refunds) by the entity that obtained the refunds do not create franking credits. This is commonly termed the 'deferred franking debit' in respect of R&D offset refunds. The 'deferred franking debit' may impact the Group's ability to frank dividends. The quantum of the 'deferred franking debit' that may impact the Group's ability to frank dividends (after reducing the debit for certain income tax paid or payable by the Group as at the date of the Offer) is estimated to be approximately \$1.2 million.

The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on the Group's conduit foreign income balance and its level of distributable profits. The Group's conduit foreign income balance will depend, among other things, on the structure of the Group's foreign operations and the level of non-Australian income tax paid by the Group on those operations.

The value and/or availability of franking credits and conduit foreign income to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each Shareholder.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

### 6.3.5 Tax law and application

The application of and changes in relevant tax laws (including income tax, goods and services taxes (or equivalent) and stamp duties), or changes in the way tax laws are interpreted, may impact the Group's tax liabilities and financial performance or the tax treatment of a Shareholder's investment. An example of such a tax change that could have an adverse impact on the financial performance of the Group is if GST was widened to include fresh produce.

An interpretation or application of tax laws or regulations by a relevant tax authority that is contrary to the Company's or the Group's view of those laws may increase the amount of tax paid or payable by the Company or the Group.

Both the level and basis of tax may change. Any changes to the current rate of company income tax (in Australia or other countries relevant to Group's business or operations) and/ or any changes in tax rules and tax arrangements (again in Australia or other countries relevant to the Group's business or operations) may have an adverse impact on the Group's financial performance, may increase the amount of tax paid or payable by the Group, may also impact Shareholder returns and could also have an adverse impact on the level of dividend franking/conduit foreign income and Shareholder returns.

### 6.3.6 Possible changes in Australian Accounting Standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the control of Murray River Organics and its Directors. The AASB has issued new standards on revenue and financial instruments, which will mandatorily apply from 1 January 2018, and leases, which will mandatorily apply from 1 January 2019. These standards may affect future measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position items, including revenue, receivables and leased assets and liabilities. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the consolidated financial statements of Murray River Organics.

### 6.3.7 Possibility of force majeure events

Events may occur within or outside Australia that could impact upon the Australian economy, Murray River Organics' operations and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Murray River Organics' products and its ability to conduct business.

**7.**

**Key people,  
interests &  
benefits.**

## 7. Key people, interests and benefits

### 7.1 Board of Directors

The Board comprises of four members, consisting of the Independent Non-Executive Chair, one Non-Independent Executive Director and two Independent Non-Executive Directors. The Directors of the Company bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

As announced by the Company on the date of this Prospectus, co-founder of Murray River Organics, Jamie Nemtsas, has relinquished his roles of Chief Operating Officer and Executive Director effective as of 28 August 2017. The Board has also announced that it intends to commence a search for an additional Non-Executive Director to complement the skillsets of the current Directors.



**Craig Farrow**  
**Independent Chair and Non-Executive Director**

- Craig Farrow was appointed as Chairman of the Company in September 2016.
- Craig has 25 years' experience in the accounting and advisory services profession.
- Craig also has a deep knowledge of the agribusiness sector (Farming, Forestry, Rural Merchandise, Consultancy and Grain Marketing). He currently sits on a number of farm advisory boards and is currently Chairman of Australian Independent Rural Retailers.
- Craig serves on the boards of a number of listed and unlisted companies and is currently Deputy Chairman of Vocus Communications Ltd, Chairman / Partner of Brentnalls SA Chartered Accountants, Chairman of Tonkin Consulting Pty Ltd, Doctors Health SA Limited, General Practice SA and Non-Executive Director of Bulletproof Group Ltd, Centre State Exports Pty Ltd, Petrosys Pty Ltd and the Accounting Professional and Ethics Standards Board.
- Craig holds a Bachelor of Economics from the University of Adelaide, a Diploma of Financial Services and a Graduate Diploma from the Australian Institute of Company Directors. Craig is also a Fellow, Chartered Accountants Australia New Zealand, Australian Institute of Management and Australian Institute of Company Directors.



**Lisa Hennessy**  
**Independent Non-Executive Director**

- Lisa was appointed as Non-Executive Director of the Company in September 2016.
- With over 25 years of experience in complex international organizations, Lisa has had significant experience in areas of corporate strategy, acquisitions, and operations.
- Lisa has held executive roles within Del Monte Foods, General Electric, and Bain & Co. Lisa has also been an advisor to several global growth-stage companies based in Australia.
- Lisa is currently a Non-Executive Director of The Gawler Cancer Foundation and FirstStep Financial Investments Pty Ltd and is also currently the Australasian Director of the Harvard Alumni Association.
- Lisa holds a Masters in Business Administration from Harvard Business School, a Bachelor of Science Electrical Engineering (Hons) from Purdue University and is a graduate of the Australian Institute of Company Directors.



**Donald Brumley**  
**Independent Non-Executive Director**

- Donald was appointed as Non-Executive Director of the Company in September 2016.
- With 29 years' experience as a senior partner of Ernst & Young Oceania, Donald has significant experience in IPO's, transactions and audit.
- Donald has advised and worked with Boards of organisations, ranging from some of the largest in Australia to fast growing entrepreneurial and medium sized organisations.
- Donald was the Oceania IPO Leader at Ernst & Young and worked with clients listing on the Australian, US, UK and key Asian stock exchanges. IPO clients in Australia include Regis Healthcare Ltd, Realestate.com.au Ltd, Melbourne IT Limited and MYOB Limited.
- Donald has also held positions as Biotech Markets Leader and National Leader of Strategic Growth Markets of Ernst & Young.
- Donald is currently Chairman of Bio-Gene Technology Ltd (an unlisted public company).
- Donald is a Fellow of the Chartered Accountants Australia & New Zealand and is a member of the Australian Institute of Company Directors.



**Erling Sorensen**  
**Managing Director**

- Erling is a co-founder of Murray River Organics.
- Erling has a diverse skillset with significant international experience in management, sales, operations, corporate finance, strategy, mergers & acquisitions, commodity trading, risk management, investing and transport.
- He has worked for and managed international industrial and transport companies in Oslo, Singapore, Melbourne and London. Erling was previously the Chief Commercial Officer of Nyrstar Nv, operating out of London.
- Erling has served on several boards of private entities located globally including Australia, China, Hong Kong, South-America and Germany, holding various positions as either Chairman or Director.
- Erling is a Fellow of the Australian Institute of Company Directors and has held a number of non-executive directorships for publicly listed companies both in Australia and the United Kingdom.

#### 7.1.1 Director disclosures

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

No Director has been an Officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an Officer or within a 12 month period after they ceased to be an Officer.

Legal proceedings have been initiated against Erling Sorensen, former Director Jamie Nemtsas and certain corporate entities associated with them, in relation to the sale by them of a business known as the Centre for Investor Education (**CIE Transaction**) (**Proceedings**). The Proceedings have been brought by purchasers of the business, namely Centre for Investor Education Pty Ltd and Centre for Investor Education (UK) Limited, and their parent companies, namely EII (Ventures) Limited and Euromoney Institutional Investor plc.

As part of the Proceedings, claims are made that Erling Sorensen, Jamie Nemtsas and the other defendants allegedly breached certain agreements pertaining to the CIE Transaction, and that they allegedly engaged in wrongful conduct in the course of managing the CIE business before and during the earn-out period for the CIE Transaction. The claims of wrongdoing include alleged irregularities with respect to related party transactions, revenue recognition, the keeping of accounts and the provision of information to the auditor which are alleged to constitute misleading and deceptive conduct, breaches of directors' duties and fraud.

Erling Sorensen, Jamie Nemtsas and the other defendants deny any such wrongdoing, are vigorously defending the claims, and have filed a counterclaim for amounts owing to them under the earn-out arrangements for the CIE Transaction. The claims made by the plaintiffs in the Proceedings have not been fully quantified. They principally comprise damages to reflect adjustments to the purchase price, alternatively the difference between the purchase price and the value of the CIE business. Erling Sorensen does not consider that the time he will be required to commit to the conduct of the Proceedings will constrain his ability to perform his duties and obligations as Managing Director of the Company.

No entity in the Group is party to the Proceedings, and the Proceedings do not relate to the business or



affairs of the Company.

#### 7.1.2 Other information about Directors' interests and benefits

Murray River Organics has entered into a lease agreement with Sandhurst Trustees Limited as custodian for the Arrow Primary Infrastructure Fund in respect of a dried vine fruit producing farm, known as "Advinco" or the "Colignan vineyard", located in operationally beneficial proximity to Murray River Organics' existing operations. Entities and individuals associated with Erling Sorensen hold an interest in 2.24% of the units currently on issue in Arrow Primary Infrastructure Fund.

The Company believes that the lease has been entered into on arm's length terms and notes that the interest held does not represent a controlling interest in Arrow Primary Infrastructure Fund.

## 7.2 Key Management Personnel and Management

As announced by the Company on the date of this Prospectus, following a review of Murray River Organics' organisational structure by the Board, the Company has made changes to its management structure. These changes have been put in place to ensure the delivery of efficiencies, driving of consistency of processes, across the entire business and ensure focus across all aspects of the business. The experience of some of the key members of the Management Team is summarised below.



**Erling Sorensen**  
**Managing Director**

- Refer to Section 7.1.



**Matthew O'Brien**  
**Chief Financial Officer**

- Matthew joined Murray River Organics in March 2016 after working at Ernst & Young within its assurance practice for 8 years, holding roles as an accountant, senior accountant, manager and senior manager.
- Through his work at Ernst & Young, Matthew has gained significant experience in a diverse range of industries including wineries, food, pharmaceutical, biotech, aged care, and logistics, working with companies that range in size from entrepreneurial start-ups, to large ASX listed entities.
- Matthew is a member of the Institute of Chartered Accountants Australia & New Zealand.



**James Tudehope**  
**Head of Pack & Processing Operations**

- James is a Food Technologist with over 30 years' experience in the food industry. Throughout his career, James has gained significant experience with a number of major multinationals within the food industry, including 13 years' experience working for Unilever building and operating food facilities overseas.



**Daniel Turner**  
**Head of Farming Operations**

- Daniel has more than 20 years' experience in the agriculture industry, specialising in viticulture and farm management.
- He has extensive knowledge in crop management, including sultanas, currants and sun muscat dried fruit varieties, multiple wine grape varieties and citrus, and has successfully managed multiple farm operations.
- Daniel specialises in cropping to current market and customer trends, always diversifying. Recent challenges include achieving organic status on a previously mainstream-run farm as well as undertaking a major diversification project, involving the grafting of 190 hectares of wine grape varieties to dried fruit.



**Bill Avery**  
**Head of Agronomy**

- Bill has spent more than 30 years in the farming sector, holding various roles in agronomy, operations and management. He previously worked for 5 years as a consultant in the organic farming space in countries such as Saudi Arabia, Malaysia, Ukraine, China and India. These assignments involved assisting farmers and government land managers to rebuild soil fertility using sustainable organic programs.
- Bill was also previously employed by the Costa Group, and held the position of the senior agronomist for their fresh table grape category. During his time with the Costa Group, he was encouraged to explore alternate soil-friendly nutrient programs, which fostered the rebuilding of soil microbiology while reducing dependence on chemical fertiliser which ultimately destroyed soil micro-organisms.



**Tim Wilson**  
**Head of Food Technology & Food Safety**

- Tim is a Food Technologist with over 10 years' food industry experience. Having studied Food Technology and Nutrition at the University of Chester in the UK, he has held various technical and quality management positions in the UK and Australia.
- Tim began his career in the dairy industry at Yeo Valley, the largest organic dairy company in the UK. He has also worked in the baby food sector where, as a Food Technologist, he was responsible for the ingredient technical sourcing strategy for Organix Brands Ltd (a market-leading organic baby food brand in the UK, which forms part of the Hero Group, a global infant nutrition business).
- During his time at Organix, Tim was part of the small team which delivered Chinese organic certification for a range of multi-ingredient finished products, developed exclusively for the Chinese market, the first company in the UK to achieve this.



**Daniel Wilson**  
**Head of Sales & Operations Planning**

- Daniel has 20 years' experience as a Supply Chain specialist, 13 years held across a number of major multinationals within the fast moving consumer goods (FMCG) industry including Simplot, Lion and Mondelez.
- Throughout his career Daniel has significant experience across various functions including sales and operation planning implementation, demand management, supply planning and inventory management.



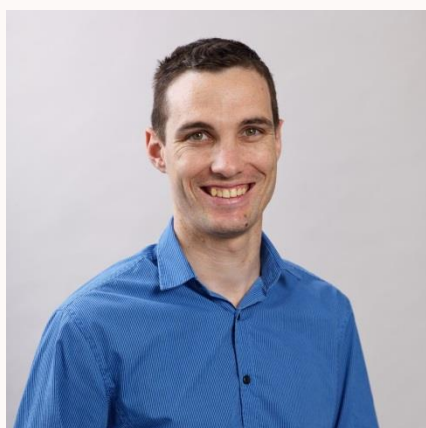
**Carlos Gutierrez**  
**Head of Procurement & Global Account Manager ALDI**

- Carlos has more than 35 years' experience in the grocery industry both in Australia and internationally. During this time he has established a strong supplier network both in Australia and overseas, and possesses an extensive product knowledge and an in-depth understanding of the grocery industry across a number of categories (including dried fruit and nuts, seeds and grains categories).
- Carlos established the business of what subsequently became Food Source International in 2011.



**Ling Chen**  
Sales Manager, Major Retail Domestic

- Ling joined Murray River Organics in January 2017 with 15 years' experience working for major fast moving consumer goods (FMCG) companies such as Mars Confectionery, Unilever, Lion, Parmalat and Wrigley, in various sales and demand management roles, concentrating on the Australian grocery market.
- Throughout her career Ling's experience has covered branded and private label products in the domestic grocery retail space.
- Ling holds a Bachelor of Commerce from the University of Melbourne.



**Matthew O'Brien**  
Sales Manager, Other Retail Domestic and Pick & Pack

- Matthew joined Murray River Organics in September 2016 after three years at Freedom Foods.
- Matthew studied Health Science at Deakin University and combined this knowledge with an extensive retail background, together with a passion for independent retailers, food service and developing channels.
- Through this combination of skills, a passion for developing the highest quality products and development of long-term relationships he hopes to impact positively in revolutionising global eating habits for a sustainable future.



**Benn O'Donohoe**  
Sales Manager, Industrial Global

- Benn has been professionally involved in the organic food industry for over 25 years. His family's farm in South Australia was certified organic in 1990.
- He has held sales and management positions for well-known Australian food brands and most recently was the National Sales Manager for Pacific Organics.
- Benn has an extensive network of customers in the wholesale & industrial space globally and has outstanding product knowledge.
- Benn holds a Bachelor of Commerce from The University of Adelaide.



**Adelyn Chee**  
Sales Manager, Retail Export

- Adelyn has over 20 years' experience working for major fast moving consumer goods (FMCG) companies such as Cadbury Schweppes, National Foods/Lion, Parmalat and Carman's, in various Export Sales and Marketing management roles concentrating on the Asia Pacific region.
- Throughout her career Adelyn's experience has predominantly covered branded products in the international retail space.

### 7.3 Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- Underwriter to the Entitlement Offer or the Placement,

holds at the date of this Prospectus, or has held in the two years before the date of this Prospectus, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Entitlement Offer or the Placement; or
- the Entitlement Offer or the Placement,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Entitlement Offer or the Placement or to any Director or proposed Director to induce them to become, or qualify as, a Director.

#### 7.3.2 Managing Director remuneration

Erling Sorensen is employed in the position of Managing Director under an employment contract with the Company. Erling's annual remuneration package comprises a base salary of \$250,000 per annum (plus superannuation) and an incentive payment or additional benefit received in accordance with the terms of the Company's STI Plan and LTI Plan.

Following listing of the Company on ASX, Erling received 192,308 performance rights (valued at approximately \$250,000 at the IPO price of \$1.30) on the terms described in Section 7.3.6c. Erling also received 384,615 performance rights as a one-off retention payment (valued at approximately \$500,000 at the IPO price of \$1.30) on the terms described in Section 7.3.6d.

Erling's employment may be terminated by either Erling or the Company by providing 6 months' written notice in writing before the proposed date of termination, or in the Company's case, payment in lieu of notice at its discretion.

The Company may also terminate the employment of Erling summarily in certain circumstances (without notice) if without limitation, he is found guilty of serious misconduct or is found guilty of fraud or dishonesty in



a court of competent jurisdiction or is declared bankrupt or of unsound mind.

Erling's employment also contains a restraint of trade period of up to 12 months from the date of termination of his employment. Enforceability of such restraint of trade is subject to all usual legal requirements, in particular, reasonableness.

### **7.3.3 Non-Executive Directors' remuneration**

The Board of Directors decides the total amount paid to each Director as remuneration for their services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting (or, until so determined, as the Board determines). This amount has been fixed by the Board at \$500,000 per annum and any change to the aggregate sum will need to be approved in a general meeting of Shareholders.

The Board has increased the fees payable to Directors to at least the 50th percentile of the range of Directors fees paid by companies of comparable size and engaged in similar or related business activities, to the Company, consistent with the intention of the Board as stated in the December 2016 Prospectus. Annual Directors' fees currently agreed to be paid by the Company are \$150,000 to the Chair (inclusive of fees in respect of service on the various Committees), plus superannuation at 9.5% of that fee. Annual Directors' fees currently agreed to be paid by the Company are \$65,000 to each Non-Executive Director, plus superannuation at 9.5% of those fees. In addition, each of the Chair of the Audit and Risk Management Committee and the Chair of the Remuneration and Nomination Committee will be paid \$10,000 per annum, and each Director (other than the Chair) who serves as a member on the Audit and Risk Management Committee or the Remuneration and Nomination Committee will be paid \$5,000 per annum in respect of service on each Committee. The Directors' fees do not include a commission on, or a percentage of, profits or income.

Pursuant to the terms of appointment of each Non-Executive Director, 50% of the fees and Committee Chair fees payable to each Non-Executive Director at the time of the Company's listing on ASX were to be paid in Shares in the Company for the first 12 months of their appointment or until listing of the Company on ASX (whichever occurred earlier). At the time of listing of the Company, the Non-Executive Directors received (in aggregate) 17,385 Shares (valued at approximately \$22,601 (in aggregate), at the IPO price).

The Non-Executive Directors also received approximately 126,922 Shares in aggregate as a one-off payment (valued at approximately \$165,000 (in aggregate), at the IPO price) at listing of the Company on ASX in recognition for the additional work undertaken by the Non-Executive Directors to achieve the successful listing of the Company on ASX. The value of the Shares issued to each Non-Executive Director represented 100% of the fees and Committee Chair fees payable to each Non-Executive Director. In addition, Donald Brumley received approximately 19,230 Shares at listing of the Company on ASX as a further one-off payment (valued at approximately \$25,000, at the IPO price) in recognition for his extra work as a representative of the Company on the due diligence committee constituted for the purpose of the IPO and preparation of the December 2016 Prospectus.

#### 7.3.4 Directors' interests

Set out below are the details of the interests of the Directors in the securities of the Company immediately prior to lodgement of this Prospectus.

Director	Shareholding (as at the date of this Prospectus)	Performance Rights
Craig Farrow	168,672	-
Erling Sorensen	7,847,179*	576,923
Lisa Hennessy	39,356	-
Donald Brumley	443,586	-

\*7,447,178 Shares held by entities associated with Erling Sorensen are subject to escrow arrangements as at the date of this Prospectus. As announced by the Company on 21 August 2017, 3,846,154 Shares (of which 1,923,077 are Shares held by entities associated with Erling Sorensen) will be released from escrow on or about 1 September 2017 (refer to Section 10.4).

Each of the Directors have advised they intend to take up their full entitlements under the Entitlement Offer.

#### 7.3.5 Key Management Personnel's and Management Team's interests and remuneration

##### a. Managing Director

See Section 7.3.2 above.

##### b. Chief Financial Officer

Matthew O'Brien is employed in the position of Chief Financial Officer under an employment contract with the Murray River Organics Limited. Matthew's annual remuneration package comprises a base salary of \$180,000 per annum (plus superannuation) and an incentive payment or additional benefit received in accordance with the terms of the Company's STI Plan and LTI Plan.

Following listing of the Company on ASX, Matthew received 115,912 performance rights (valued at approximately \$113,000 at the IPO price of \$1.30) on the terms described in Section 7.3.6c. Matthew also received 384,615 performance rights as a one-off retention payment (valued at approximately \$500,000 at the IPO price of \$1.30) on the terms described in Section 7.3.6d.

Matthew's employment may be terminated by either Matthew or Murray River Organics Limited by providing 3 months' written notice in writing before the proposed date of termination, or in Murray River Organics Limited's case, payment in lieu of notice at its discretion.

Murray River Organics Limited may also terminate the employment of Matthew summarily in certain circumstances (without notice) if without limitation, he is found guilty of serious misconduct or is found guilty of fraud or dishonesty in a court of competent jurisdiction or is declared bankrupt or of unsound mind.

Matthew's employment also contains a restraint of trade period of up to 6 months from the date of termination of his employment. Enforceability of such restraint of trade is subject to all usual legal requirements, in particular, reasonableness.

##### c. Management Team employment agreements

The Group's other Management Team are employed under individual executive services agreements. These generally establish:

- total compensation, inclusive of base salary and superannuation contribution to a fund of the individual's election

- eligibility to participate in the Company's bonus policy in place from time to time. For further details about the Company's STI Plan and LTI Plan, refer to Section 7.3.6;
- notice and termination provisions (for employees, notice provisions are determined in accordance with the National Employment Standards);
- restraint of trade provisions (generally for a 6 to 12 month period, subject to usual legal requirements) and confidentiality obligations; and
- for employees, leave entitlements as per the National Employment Standards and applicable legislation.

### **7.3.6 Employee incentive arrangements**

The Company has established various incentive arrangements to assist in the attraction, retention and motivation of its employees and management of the Group as set out below.

The annual remuneration package of each member of the executive team is comprised of a base salary, a cash-based short term incentive under the STI Plan and participation in a LTI Plan. The STI Plan gives participants the opportunity to earn a cash-based bonus based on satisfaction of certain hurdles and performance indicators based on the Company's performance and the individual's contribution (see Section 7.3.6b for further details).

In addition to the performance rights issued at the time of listing of the Company on ASX to Erling Sorensen and Matthew O'Brien (refer to Sections 7.3.2 and 7.3.5b), the Company also issued 153,845 performance rights to other employees, which will vest if the employees remain in continuous employment until December 2017.

The Company has not issued any other performance rights under the LTI Plan. It is currently intended that no additional performance rights will be granted to any of Erling Sorensen or Matthew O'Brien, having regard to the one-off retention performance rights issued at the time of listing of the Company on ASX (see Section 7.3.6d). It is intended that performance rights granted under the LTI Plan from FY2019 onwards will be determined following a review of FY2018 performance and will vest subject to performance measures to be determined by the Board, in its discretion.

#### **a. Long Term Incentive Plan (LTI Plan)**

The LTI Plan offers eligible employees (including executives) selected by the Board rights to subscribe for, or be granted, performance rights.

The invitations issued to eligible employees will include information such as performance conditions and any trading restrictions on dealing with Shares allocated on vesting or exercise of a performance right. Upon acceptance of an invitation, the Directors will grant performance rights in the name of the eligible employee or their nominee (as permitted by the terms of the LTI Plan). On vesting, one performance right is exercisable into or entitles the holder to one Share. Participants in the LTI Plan will not pay any consideration for the grant of the performance rights.

Performance rights will not be listed on ASX and may not be transferred, assigned or otherwise dealt with except with the approval of the Directors (or by force of law upon death due to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy).

Performance rights will only vest where the performance conditions and any other relevant conditions advised have been satisfied unless otherwise determined by the Board. An unvested performance right will lapse in certain circumstances, including where performance conditions are not satisfied within the relevant time period, where the participant deals with the performance right in breach of the rules of the LTI Plan or where, in the opinion of the Board, a participant has acted fraudulently or dishonestly.

If a participant's employment or engagement with the Company (or its subsidiaries) terminates before the performance rights have vested, the performance rights will lapse, unless the invitation provides otherwise, or, in the case of retirement in certain circumstances, death, total and permanent disablement or redundancy, the Board resolves otherwise.



Where there is a takeover bid made for Shares in the Company, the Directors may determine that all or part of the participant's unvested performance rights, will become vested performance rights.

If there are certain variations in the share capital of the Company, including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Directors may make such adjustments as they consider appropriate under the LTI Plan in accordance with the provisions of the ASX Listing Rules.

A performance right issued pursuant to the LTI Plan does not entitle its holder to dividends nor rights to vote at meetings of shareholders of the Company until that performance right is exercised and the participant is a holder of a valid Share in the Company.

Shares acquired on vesting of the performance rights will upon allotment rank equally in all respects with other Shares and the Company will apply to ASX for quotation of the relevant Shares. No performance right or Share may be offered under the LTI Plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

#### **b. Short Term Incentive Plan (STI Plan)**

##### **FY2017 STI Plan**

For FY2017, each of Erling Sorensen, Matthew O'Brien, certain members of Murray River Organics' Management Team and certain other employees were entitled to participate in a cash-based STI Plan under the terms of their employment contracts, and in accordance with the terms of the STI Plan in place for FY2017. The maximum amount that the each person was entitled to under the STI Plan was an amount equal to:

- in respect of each of Erling Sorensen and Matthew O'Brien, up to 40% of their fixed annual remuneration;
- in respect of employees who report directly to each of Erling Sorensen and Matthew O'Brien, up to 25% of their fixed annual remuneration; and
- in respect of all other eligible employees, up to 15% of their fixed annual remuneration.

As the relevant performance condition was not achieved in respect of FY2017, no amounts were payable to eligible employees under the STI Plan.

##### **FY2018 STI Plan**

The Remuneration and Nomination Committee may determine and alter the STI Plan and the terms on which employees are entitled to participate in the STI Plan from time to time.

For FY2018, each of Erling Sorensen and Matthew O'Brien and certain other employees as determined by the Board will be entitled to participate in a cash-based STI Plan under the terms of their employment contracts, and in accordance with the terms of the STI Plan in place for FY2018. The maximum amount that the each person was entitled to under the STI Plan was an amount equal to:

- in respect of each of Erling Sorensen and Matthew O'Brien, up to 40% of their fixed annual remuneration; and
- in respect of all other eligible employees, up to 25% of their fixed annual remuneration.

In respect of FY2018, of the maximum entitlement under the STI Plan:

- if the Company's EBITDA, return on assets, sales revenue and gross margin measures are met:
  - 40% of Erling Sorensen's entitlement will be paid; and
  - 20% of Matthew O'Brien's entitlement will be paid;
- if the Company's operating cash and working capital targets are met:
  - 30% of Erling Sorensen's entitlement will be paid; and
  - 50% of Matthew O'Brien's entitlement will be paid; and

- if the project goals and key performance indicators relevant to the individual's role are met, 30% of each eligible employee's entitlement will be paid.

In addition to the conditions noted above, up to 50% of an eligible employee's entitlement will only be paid if the Company meets or exceeds its budgeted EBITDA targets.

For FY2018 and each future financial year, payments under the STI Plan will be calculated in accordance with and subject to the performance conditions set by the Board in its discretion and notified to each eligible employee in writing at the commencement of each Financial Year which may include financial targets for the Company as well as qualitative operational targets for the employee as set by the Board.

#### **c. FY2017 LTI Plan grant**

Following listing of the Company on ASX, Erling Sorensen and Matthew O'Brien received (in aggregate) 308,220 performance rights under the LTI Plan (valued (in aggregate) at approximately \$400,686 at the price at which investors subscribed for Shares under the IPO, being \$1.30). Performance rights issued as part of the FY2017 grant will vest 3 years from the date of issue, subject to satisfaction of an earnings per share condition (in respect of 50% of the performance rights) and a share price growth condition (in respect of the remaining 50% of the performance rights) as follows:

<b>Measure</b>	<b>Rights to Vest</b>
<b>Earnings per Share (compounded annual growth of the Company's earnings per share over a 3 year period, ended 30 June 2019)</b>	
Below 10%	Nil
10%	20%
Above 10% but less than 20%	Pro-rata vesting from 20% -100%
At or above 20%	100%
<b>Share Price Growth (compounded annual growth of the Company's Share price over the period commencing on the date of the Company's admission to the ASX and ending on 30 June 2019)</b>	
Less than 10%	Nil
10%	20%
Above 10% but less than 20%	Pro-rata vesting from 20%-100%
At or above 20%	100%

#### **d. One-off retention ASX Listing payment**

Following listing of the Company on ASX, Erling Sorensen and Matthew O'Brien received (in aggregate) 769,230 performance rights as a one-off retention payment (valued (in aggregate) at \$999,999 at the price at which investors subscribed for Shares under the IPO, being \$1.30). Performance rights issued as part of this one-off retention payment will vest in one tranche on 30 June 2019, provided that the relevant executive has remained in continuous employment with the Group from the date of the grant until the date of vesting.

Having regard to a number of factors, including the financial performance and position of the Company, the Board considers it appropriate that an additional performance condition be applied in respect of these performance rights. The Board has therefore resolved that, in addition to the existing continued employment performance condition, the volume-weighted average price of the Company's shares on ASX, calculated over the 20 trading day period commencing from and including the date which is two weeks after the date on which Company lodged its preliminary full year report (ASX Listing Rule Appendix 4E report) with ASX for FY2019, must be equal to or greater than \$1.30 (being the price at which investors subscribed for shares under the IPO) in order for the performance rights to vest.

## 7.4 Interests of advisers

Murray River Organics has engaged the following professional advisers in relation to the Entitlement Offer and the Placement:

- PAC Partners Pty Ltd and Morgans Corporate Limited have acted as Underwriters and joint lead managers to the Entitlement Offer and the Placement. Murray River Organics has paid, or agreed to pay, the Underwriters the fees described in Section 10.8.1 for these services;
- Clayton Utz has acted as Australian legal adviser in relation to the Entitlement Offer and the Placement. Murray River Organics has paid, or agreed to pay, approximately \$350,000 (excluding disbursements and GST) for these services up until the date of this Prospectus. Further amounts may be paid to Clayton Utz in accordance with its normal time-based charges;
- Deloitte Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries in connection with the Entitlement Offer and the Placement. Murray River Organics has paid, or agreed to pay, approximately \$37,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus. Further amounts may be paid to Deloitte Corporate Finance Pty Ltd in accordance with its normal time-based charges;
- Frost & Sullivan Australia Pty Ltd prepared the Independent Market Report on the organic, natural and healthy food and snack market included in Section 2 of the December 2016 Prospectus. Murray River Organics paid \$40,000 (excluding GST) for this report.

The Underwriters or their affiliates from time to time may in the future perform other investment banking and financial advisory services for the Company, shareholders or their respective affiliates. Further, in the ordinary course of their trading, brokerage and financing activities, the Underwriters and their affiliates may act as a market maker or buy or sell securities issued by the Company or associated derivatives as principal or agent. PAC Partners holds 129,166 Shares as at the date of this Prospectus. Customary fees and commissions are expected to be paid for any such services in the future.

## 7.5 Corporate governance

Please refer to Section 2.2 for a summary of information regarding the main corporate governance policies included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

# **8. Offer details.**

## 8. Offer details & how to apply

### 8.1 Overview of the Entitlement Offer

The Company intends to raise up to \$7.1 million under the Entitlement Offer and up to \$12.1 million in total under the Entitlement Offer and the Placement.

Eligible Shareholders are being offered the opportunity to purchase 3 New Shares for every 11 existing Shares held as at the Record Date of 7.00pm (Melbourne time) on 4 September 2017, at the Offer Price of \$0.30 per New Share under the Entitlement Offer.

The Entitlement Offer provides Eligible Shareholders with the opportunity to take up all or part of their Entitlement. Entitlements under the Entitlement Offer are non-renounceable.

Based on the number of Shares on issue as at the date of the Entitlement Offer, a maximum of 23.8 million New Shares (subject to rounding) will be issued under the Entitlement Offer.

You have a number of decisions to make in respect of your Entitlement. You should read this Prospectus carefully before making any decisions in relation to your Entitlement.

The Entitlement Offer opens at 10.00am on 7 September 2017 and will close at 5.00pm (Melbourne time) on 18 September 2017 (unless extended).

The Entitlement Offer is fully underwritten by the Underwriters.

Further details on the Entitlement Offer are set out below.

### 8.2 Overview of the Placement

As stated in the Chairman's Letter, the Company is undertaking a Placement pursuant to which certain investors who are considered institutional investors for the purposes of the Corporations Act will be offered the opportunity to commit to subscribe for 16.6 million New Shares pursuant to the Placement under this Prospectus at the Offer Price to raise up to \$5.0 million (in aggregate).

The Underwriters and the Company will separately advise participants in the Placement of the application procedures for applications for New Shares to be issued under the Placement.

### 8.3 Purpose of the Entitlement Offer and the Placement

The proceeds from the Entitlement Offer and the Placement will be applied to reduce debt, for working capital purposes and towards the costs of the Placement and the Entitlement Offer.

The total gross proceeds of the Entitlement Offer and the Placement will be equal to the number of New Shares issued under the Entitlement Offer and the Placement multiplied by the Offer Price.

The total sources of funds under the Entitlement Offer and the Placement are expected to be \$12.1 million. The following table details the sources and uses of the proceeds of the Entitlement Offer and the Placement.

Sources	\$m	%	Uses of funds	\$m	%
Proceeds from the Entitlement Offer	\$7.1	58.7%	Reduction of debt	\$6.5	53.7%
Proceeds from the Placement	\$5.0	41.3%	Working capital	\$4.8	39.7%
			Payment for transaction costs	\$0.8	6.6%

			associated with the Entitlement Offer and the Placement		
Total	\$12.1	100%	Total	\$12.1	100%

## 8.4 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and calculated on the basis of 3 New Shares for every 11 existing Shares you hold as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

New Shares will be fully paid and rank equally in all respects with existing Shares.

## 8.5 Options available to you

### 8.5.1 If you wish to take up all or part of your Entitlement

If you wish to take up all or part of your Entitlement, please either:

- complete and return the personalised Entitlement and Acceptance Form (indicating the number of New Shares) with the requisite Application Monies; or
- pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form,

in each case, by no later than 5.00pm (Melbourne time) on 18 September 2017.

The Company will treat you as applying for as many New Shares (up to your Entitlement) as your payment will pay for in full. If you are paying by BPAY®, please make sure to use the specific biller code and unique reference number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the reference number specific to the Entitlement on that Entitlement and Acceptance Form.

If you take up and pay for all of your Entitlement before the close of the Entitlement Offer, it is expected that you will be issued New Shares on 25 September 2017.

The Company's decision on the number of New Shares to be issued to you will be final.

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares issued if the Company believes an Applicant's claim to be overstated or if an Applicant or their nominees or custodians fail to provide information to substantiate their claims to the Company's satisfaction.

### 8.5.2 If you wish to do nothing, your Entitlement will lapse and you will receive no value for those lapsed Entitlements

The Entitlement Offer is non-renounceable. If you take no action you will not be allocated New Shares and your Entitlement will lapse. Shareholders who do not take up their Entitlements will not receive any payment or value for those Entitlements they do not take up.

Eligible Shareholders who do not participate fully in the Entitlement Offer will have their percentage holding in the Company diluted.

## 8.6 Eligible Shareholders

Eligible Shareholders are those persons who:

- are registered as a holder of existing Shares as at 7.00pm on the Record Date;
- have a registered address on the Company's share register in Australia, New Zealand or Hong Kong as at the Record Date;
- are not in the United States; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Shareholders are Ineligible Shareholders.

The Company reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder.

Shareholders must comply with their local laws and are responsible for determining whether any laws may restrict them from participating in the Entitlement Offer. Refer to Section 8.14 for further details on foreign selling restrictions. If you are restricted and come into possession of this Prospectus, you should seek advice on and observe those restrictions. Any failure to comply with restrictions may constitute a violation of applicable securities laws.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Shareholder. Nominees and custodians are therefore advised to seek independent professional advice as to how to proceed.

The Company reserves the right (in its absolute discretion) to extend the Entitlement Offer to shareholders who have registered addresses outside of the above jurisdictions in accordance with applicable law.

## 8.7 Ineligible Shareholders

All Shareholders who are not Eligible Shareholders are Ineligible Shareholders. Ineligible Shareholders will not be entitled to participate in the Entitlement Offer.

The Company has determined that it is unreasonable to make offers under the Entitlement Offer to shareholders who have registered addresses outside Australia, New Zealand and Hong Kong, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. Accordingly, the Entitlement Offer is not being extended to, and does not qualify for distribution or sale, and no New Shares will be issued, to shareholders having a registered address outside Australia, New Zealand and Hong Kong.

The Company reserves the right (in its absolute discretion) to extend the Entitlement Offer to shareholders who have registered addresses outside of the above jurisdictions in accordance with applicable law.

## 8.8 Notice to nominees and custodians

The Company is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements.

Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. The Company is not able to advise on foreign laws.

Persons acting as nominees and custodians for other persons must not take up any Entitlements on behalf

of, or send any documents relating to the Entitlement Offer to, any person in the United States.

Nominees and custodians may not distribute any part of this Prospectus, and may not permit any beneficial owner of Shares to participate in the Entitlement Offer, in any country outside of Australia, New Zealand or Hong Kong except, with the consent of the Company, to beneficial holders of Shares resident in certain other countries where the Company may determine it is practical to make the Entitlement Offer.

## 8.9 No Entitlements trading

Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

## 8.10 Rounding of Entitlements

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

## 8.11 Payment

You can pay in the following ways:

- by BPAY®; or
- by cheque or bank draft.

Cash payments will not be accepted. Receipts for payment will not be issued.

The Company will treat you as applying for as many New Shares (up to your Entitlement) as your payment will pay for in full.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

### Payment by BPAY®

For payment by BPAY®, please follow the instructions on your personalised Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

Please note that should you choose to pay by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Melbourne time) on 18 September 2017. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.



### **Payment by cheque or bank draft**

For payment by cheque or bank draft, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque or bank draft in Australian currency for the amount of the Application Monies, payable to "Murray River Organics Group Limited" and crossed "Not Negotiable".

Your cheque or bank draft must be:

- for an amount equal to \$0.30 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident shareholders must arrange for payment to be made in Australian dollars.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies, as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

### **8.12 Mail**

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer, being 5.00pm (Melbourne time) on 18 September 2017. If you make payment via cheque or bank draft, you should mail your completed personalised Entitlement and Acceptance Form together with Application Monies to:

#### **Mailing Address**

Murray River Organics Group Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne, Victoria, 3001

#### **By Hand (please do not use this address for mailing purposes)**

Murray River Organics Group Limited  
C/- Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria, 3067

Personalised Entitlement and Acceptance Forms and Application Monies will not be accepted at other offices of the Share Registry or if mailed to the Company's registered or corporate offices.

### **8.13 ASX quotation**

The Company has applied to the ASX for quotation of the New Shares on ASX. If approval is not given within three months after such application is made (or any longer period permitted by the law), none of the New Shares offered under this Prospectus will be issued and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

## 8.14 Restrictions on distribution and selling restriction

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify this Prospectus, the Placement, the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia except to the extent permitted below.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws.

### ***New Zealand***

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

### ***Hong Kong***

WARNING: The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

### ***United States***

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable US state securities laws.

## 8.15 Representations by acceptance

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have represented to the Company that you are an Eligible Shareholder and:

- acknowledge that you have personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) accompanying the Entitlement and Acceptance Form and have read and understand this Prospectus and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus and the Company's Constitution;
- authorise the Company to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;

- acknowledge that once the Company receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your application or funds provided except as permitted by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®;
- authorise the Company, the Underwriters and the Share Registry and their respective Officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Prospectus is a prospectus issued in accordance with sections 710 and 712 of the Corporations Act and does not of itself contain all of the information that is generally required to be set out in a document of this type but refers to other documents the information of which is deemed to be incorporated in this Prospectus;
- acknowledge (and have read) the statement of key risks outlined in Section 6 of this Prospectus, and acknowledge that investments in Murray River Organics are subject to risk;
- acknowledge that none of the Company, the Underwriters or their related bodies corporate and affiliates and their respective directors, Officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Murray River Organics, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- authorise the Company to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of the Company and its related bodies corporate and affiliates) that you are not an Ineligible Shareholder and are otherwise eligible to participate in the Entitlement Offer;
- represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Entitlement Offer;
- represent and warrant that you, and each person on whose account you are acting, are not in the United States;
- you, and each person on whose account you are acting, understand and acknowledge that the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia and New Zealand and accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred, directly or indirectly, in the United States, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws;
- you have not and you will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in the United States;
- if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Notwithstanding the foregoing, after quotation and the commencement of trading of the New Shares, you may sell such New Shares in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that purchaser is, a person in the United States; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia, New Zealand, Hong Kong or such other country that does not prohibit the beneficial holder from being given this Prospectus or the personalised Entitlement and Acceptance Form, or prohibit the beneficial holder from making an application for New Shares and is not in the United States, and you have not sent this

Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any such person.

### 8.16 ASX waiver

The Company has sought and obtained from ASX a waiver from Listing Rule 7.1 to permit the Company to calculate the number of New Shares it may issue under the Placement on the basis that the variable "A" of the formula in Listing Rule 7.1 is deemed to include the number of New Shares that may be issued under the Entitlement Offer, subject to customary conditions. The effect of this waiver will be to expand the Company's 15% placement capacity to include the New Shares to be issued under the Entitlement Offer.

### 8.17 Discretion regarding the Offer

The Company reserves the right to withdraw all or part of the Placement, the Entitlement Offer and this Prospectus at any time, subject to applicable laws, in which case the Company will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to the Company will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to the Company.

The Company and the Underwriters also reserve the right to close the Placement or the Entitlement Offer early, extend the Placement or the Entitlement Offer, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer New Shares than applied for.

### 8.18 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00am and 5.00pm Monday to Friday during the Entitlement Offer period. Alternatively, you can access information about the Entitlement Offer online at [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au). If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

# **9. Investigating Accountant's Report.**

## 9. Investigating Accountant's Report



Deloitte Corporate Finance Pty Limited  
ACN 003 833 127  
AFSL 241457

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Sydney NSW 2000  
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The Directors  
Murray River Organics Group Limited  
32 Crompton Way  
Dandenong South Victoria 3175

28 August 2017

Dear Directors

### **INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE**

#### **Introduction**

This report has been prepared at the request of the Directors of Murray River Organics Group Limited (the Company) for inclusion in a prospectus dated 28 August 2017 (Prospectus) to be issued by the Company in connection with the the Institutional Placement and Non Renounceable Entitlement Offer of shares in the Company (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services Licence under the Corporations Act 2001 for the issue of this report.

References to the Company, Murray River Organics and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

#### **Scope**

##### ***Statutory Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the consolidated statement of profit and loss and other comprehensive income for the financial year ended 30 June 2017;
- the summarised consolidated statement of cash flow for the financial year ended 30 June 2017; and
- the consolidated statement of financial position as at 30 June 2017;

as set out in Tables 1, 3 and 4 of Section 5 of the Prospectus (together the Statutory Historical Financial Information).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

The entity named herein is a legally separate and independent entity. In providing this document, the author only acts in the named capacity and does not act in any other capacity. Nothing in this document, nor any related attachments or communications or services, have any capacity to bind any other entity under the 'Deloitte' network of member firms (including those operating in Australia).

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, as described in Section 5, being the recognition and measurement principles contained in Australian Accounting Standards and Murray River Organics' adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the financial report of Murray River Organics for the financial year ended 30 June 2017 which was audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report for the year ended 30 June 2017.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

#### ***Pro Forma Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the pro forma consolidated statement of profit and loss and other comprehensive income for the financial year ended 30 June 2017;
- the pro forma summarised consolidated statement of cash flow for the financial year ended 30 June 2017; and
- the pro forma consolidated statement of financial position as at 30 June 2017;

as set out in Tables 1,3 and 4 of the Prospectus (together the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of pro forma adjustments described in Section 5.2.3 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events and transactions to which the Pro Forma Adjustments relate, as if these events and transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent Murray River Organics' actual or prospective financial performance, cash flows, and/or financial position.

#### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of Pro Forma Adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information as described in Section 5.2.3; and
- the information contained in the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial

Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

**Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and the Pro forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any information used as a source of Statutory Historical Financial Information and the Pro Forma Historical Financial Information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

**Statutory Historical Financial Information**

- a review of the extraction of Statutory Historical Financial Information from the audited financial statements of Murray River Organics for the financial year ended 30 June 2017;
- analytical procedures on the consolidated statement of profit and loss and other comprehensive income and summarised consolidated statement of cash flows of Murray River Organics for the financial year ended 30 June 2017 and the consolidated statement of financial position of Murray River Organics as at 30 June 2017;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of Murray River Organics' work papers, accounting records and other documents of Murray River Organics and its auditors;
- enquiry of Directors, management and others in relation to the Statutory Historical Financial Information; and
- a review of the accounting policies adopted and used by Murray River Organics over the period for consistency of application.

**Pro Forma Historical Financial Information**

Consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information of Murray River Organics from audited financial statements for the financial year ended 30 June 2017;

Consideration of the appropriateness of Pro Forma Adjustments described in Section 5.2.4 of the Prospectus;

Enquiry of Directors, management, personnel and advisors; and

The performance of analytical procedures applied to the Pro Forma Historical Financial Information.



**Conclusions****Statutory Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information as described in Section 5.1 of the Prospectus and comprising:

- The consolidated statement of profit and loss and other comprehensive income of Murray River Organics for the financial year ended 30 June 2017;
- The summarised consolidated statement of cash flows for the financial year ended 30 June 2017;
- The consolidated statement of financial position as at 30 June 2017

Are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2 of the Prospectus

**Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in 5.2.4 of the Prospectus.

**Restrictions on Use**

Without modifying our conclusions, we draw attention to the Important Notice of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

**Consent**

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

**Disclosure of Interest**

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

**Deloitte Touche Tohmatsu is the audit of the Company**

Yours sincerely



Craig Bryan

Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)



## Financial Services Guide

### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

August 2016

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	<a href="mailto:info@fos.org.au">info@fos.org.au</a>
<a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com.au</a>	<a href="http://www.fos.org.au">www.fos.org.au</a>
Fax: +61 2 9255 8434	Tel: 1800 367 287
	Fax: +61 3 9613 6399

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

# **10. Additional Information.**

## 10. Additional Information

### 10.1 Corporate Structure

Please refer to Section 2.2 for a summary of the corporate structure of the Group included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

### 10.2 Rights and liabilities attaching to New Shares and ranking of New Shares

New Shares will be fully paid and rank equally in all respects with existing Shares. The rights and liabilities attaching to the New Shares are set out in the Company's Constitution.

Please refer to Section 2.2 for a summary of the information regarding the rights and liabilities attaching to New Shares included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

### 10.3 Underwriting Agreement

The Company has entered into an Underwriting Agreement with the Underwriters, who have agreed to fully underwrite the Placement and the Entitlement Offer on the terms and conditions set out in the Underwriting Agreement. The obligations of the Underwriters are subject to the satisfaction of certain conditions precedent documented in the Underwriting Agreement. See Section 10.8.1 for a summary of the key terms of the Underwriting Agreement.

### 10.4 Voluntary escrow arrangements

At the time of listing on the ASX, the Company entered into voluntary escrow arrangements with most of its existing shareholders as at the date of the December 2016 Prospectus, which prevented such shareholders from disposing of their Shares for the relevant escrow period.

In respect of all existing shareholders who entered into voluntary escrow arrangements, other than entities associated with Erling Sorensen and Jamie Nemtsas, the escrow period ended on the trading day which was the day that was three months after the admission of the Company to the official list of ASX. Such shares have been released from escrow.

In respect of the Shares held by entities associated with Erling Sorensen and co-founder and former Director Jamie Nemtsas (**Escrowed Shareholders**), the following escrow periods continue to apply:

- 3,846,154 Shares are subject to escrow until the date that is 3 trading days after the Company has lodged its preliminary full year report (ASX Listing Rule Appendix 4E report) with ASX for FY2017 (**FY2017 Escrowed Shares**); and
- 11,048,202 Shares are subject to escrow until the date that is 3 trading days after the Company has lodged its preliminary full year report (ASX Listing Rule Appendix 4E report) with ASX for FY2018,

(**Escrow Period**).

As announced by the Company on 21 August 2017, the FY2017 Escrowed Shares will be released from escrow on or about 1 September 2017.

The Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares;
- the Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act; or
- the Shares held by the Escrowed Shareholder to be bought back by the Company under a buy-back permissible under the Corporations Act.

The Escrowed Shareholders may deal in any of their Shares during the Escrow Period to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction). The terms of the escrow arrangements do not restrict the voting rights of Escrowed Shareholders in respect of their Shares.

The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares, or agreeing to do any of those things.

## 10.5 Financial information and other information about the Company

The Company's pro forma historical statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 5.

The Directors believe that, on Completion of the Offer, the Company will have sufficient funds available to fulfil the purposes of the Offer and meet its stated business objectives.

## 10.6 Effect on control of the Company

Given the structure of the Entitlement Offer as a pro rata issue, the ratio and terms of the Entitlement Offer, the current level of holdings of substantial holders (based on substantial holding notices that have been given to the Company and lodged with ASX on or prior to the date of this Prospectus) and the fact that the Entitlement Offer is fully underwritten by professional underwriters, the Company considers that the Entitlement Offer is not expected to have any material effect or consequence on the control of the Company. If some shareholders do not take up their Entitlements (whether because they are Ineligible Shareholders or otherwise), their shareholding in the Company will be diluted. The shareholding of shareholders who only take up part of their Entitlement will also be diluted, but to a lesser extent.

All shareholders who do not participate in the Placement will have their interests slightly diluted, within the limitations permitted under the ASX Listing Rules. However, given the number of New Shares to be issued under the Placement and the current level of holdings of substantial holders (based on substantial holding notices that have been given to the Company and lodged with ASX on or prior to the date of this Prospectus), the Company considers that the Placement is not expected to have any material effect or consequence on the control of the Company.

Specifically, the Company does not expect any shareholder to have voting power in the Company of more than 20% after Completion of the Offer. However, in the very remote and highly theoretical scenario that no investors subscribe for any New Shares under the Placement or Entitlement Offer (and disregarding any New Shares that may be issued to investors pursuant to sub-underwriting commitments), the Underwriters would (in accordance with their underwriting obligations) be required to subscribe for a number of New Shares equal to (in aggregate) approximately 32% of the total number of Shares on issue after Completion of the Offer. On the basis that the Underwriters' underwriting obligations are joint and several, if one Underwriter terminates its obligations under the Underwriting Agreement but the other does not, the remaining Underwriter would be required to subscribe for the entire shortfall under the Placement and Entitlement Offer and its voting power in the Company would increase to approximately 32% after Completion of the Offer. Refer to Section 10.8.1 for a summary of the principal provisions of the Underwriting Agreement.

## 10.7 Capital structure

After the issue of New Shares under the Placement and the issue of New Shares under the Entitlement Offer, the capital structure of the Company is expected to be as follows (subject to rounding of fractional Entitlements):



Shares on issue as at 28 August 2017	87,086,550
Maximum number of New Shares to be issued under the Placement	16,600,000
Maximum number of New Shares to be issued under the Entitlement Offer	23,750,877
<b>Total Shares on issue on Completion of the Offer</b>	<b>127,437,427</b>

## 10.8 Material contracts

The Directors consider that there are a number of contracts which are significant or material to the Group or are of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for New Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries are included for the information of potential investors in the Offer but do not purport to be complete and are qualified by the text of the contracts themselves.

### 10.8.1 Underwriting Agreement

The Company and the Underwriters signed an Underwriting Agreement on 28 August 2017. Under the Underwriting Agreement, the Company appointed PAC Partners and Morgans, jointly and severally, to underwrite, arrange and manage the Offer. The following is a summary of the principal provisions of the Underwriting Agreement.

#### a. Commissions, fees and expenses

The Company has agreed to pay to the Underwriters, in equal proportions:

- an aggregate management, selling and underwriting fee of 3.2% of the Placement proceeds; and
- an aggregate management, selling and underwriting fee of 3.2% of the Entitlement Offer proceeds.

The Company has agreed to reimburse the Underwriters for reasonable costs and expenses incurred by the Underwriters in relation to the Offer. The Underwriters must pay any commission and fees due to any co-managers and brokers appointed to the Offer (and such fees will not be borne by the Company).

#### b. Termination events

If any of the following events occur at any time from the date of execution of the Underwriting Agreement until 4.00pm on the settlement date of the Entitlement Offer (or such earlier time as specified below), an Underwriter may, by notice given to the Company and the other Underwriter, terminate its obligations under the Underwriting Agreement:

- (certificate) a certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished by the time specified or any statement in a certificate is untrue, inaccurate, incomplete or misleading or deceptive in any material respect;
- (unable to issue New Shares) the Company is prevented from allotting and issuing the New Shares within the time required by the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental, semi-governmental, administrative, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity (**Government Agency**);
- (Prospectus):
  - there is a material omission from the Prospectus of information required to be included by the Corporations Act;
  - a material statement in the Prospectus is or becomes misleading or deceptive; or
  - the Prospectus does not otherwise comply with section 710(1) of the Corporations Act;
- (breach of significant contracts) a significant or material contract referred to in the Prospectus is, without the prior consent of the Underwriters:

- breached by the Company or a related body corporate (as that term is defined in the Corporations Act);
  - terminated (whether by breach or otherwise);
  - altered or amended in any way; or
  - found to be void or voidable;
- (supplementary prospectus) the Company issues or is required to issue a supplementary or a replacement document with ASIC under section 719 of the Corporations Act and the Company lodges a supplementary or a replacement document with ASIC in a form that has not been approved by the Underwriters in circumstances required by the Underwriting Agreement or otherwise fails to comply with its obligations in relation to the lodgement of a supplementary Prospectus the Underwriting Agreement;
- (withdrawal) the Company withdraws the Offer;
- (market fall) the S&P/All Ordinaries Index falls to at a level that is 10% or more below the level of that index as at the close of trading on the Business Day before the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - on any 2 consecutive Business Days during any time after the date of this Agreement and prior to the settlement date of the Entitlement Offer; or
  - on the Business Day immediately prior to the settlement date of the Entitlement Offer;
- (regulatory action) there is an application to a Government Agency (including, without limitation, the Takeovers Panel) for an order, declaration (including, in relation to the Takeovers Panel, of unacceptable circumstances) or other remedy, or a Government Agency commences any investigation or hearing or announces its intention to do so, in each case in connection with the Offer (or any part of it) or any agreement entered into in respect of the Offer (or any part of it);
- (listing and quotation) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to the quotation of any New Shares by ASX or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or conditional approval, which, in the reasonable opinion of an Underwriter, would have a material adverse effect on the success or settlement of the Offer;
- (offences by Directors) any of the following occurs:
  - a Director of the Company is charged with an indictable offence;
  - any Government Agency commences any public action against a Director of the Company or announces that it intends to take any such action; or
  - any Director of the Company is disqualified from managing a corporation under the Corporations Act;
- (insolvency) the Company is insolvent or there is an act or omission which may result in the Company becoming insolvent;
- (Takeovers Panel) a shareholder makes an application to the Takeovers Panel in connection with the Offer and the Takeovers Panel elects to hear the application, and the application is not withdrawn or rejected; or
- (notifications) any of the following notifications are made:
  - ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the date on which the Entitlement Offer closes;
  - ASIC issues an order (including an interim order, other than an interim order which does not become public) under section 739 (other than an order which does not become public and is dismissed or withdrawn in writing by ASIC within 5 Business Days of the settlement date of the Entitlement Offer, or, if it is made within 5 Business Days of the settlement date of the Entitlement Offer, the day before the settlement date of the Entitlement Offer);
  - ASIC gives notice of intention to hold a hearing or holds a hearing under section 739(2) (other than a hearing which does not become public);
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or the Prospectus (other than an application, investigation or hearing which does not become public and is dismissed or withdrawn in writing by ASIC within 3 Business Days of the settlement date of the Entitlement Offer or, if it is made within 3 Business Days of the settlement date of the Entitlement Offer, the day before the settlement date of the Entitlement Offer);
  - any person (other than an Underwriter) who has previously consented to the inclusion of its name in any Prospectus withdraws that consent; or

- any person (other than an Underwriter) gives a notice under section 730 in relation to the Prospectus.

**c. Termination events subject to materiality**

An Underwriter may terminate the Underwriting Agreement, by notice to the Company and the other Underwriter, at any time after the date of the Underwriting Agreement until 4.00pm on the settlement date of the Entitlement Offer (or such earlier time as specified below) if any of the following events occur and, in the reasonable opinion of that Underwriter, the event: (i) has or is likely to have a materially adverse effect on the success, marketing or settlement of the Offer or the performance of secondary market trading of the Shares within the first four weeks of trading following the latter of the date on which New Shares are issued under the Placement or the date on which New Shares are issued under the Entitlement Offer; (ii) would give or would be likely to give rise to a liability for the Underwriters under the Corporations Act or any applicable laws; or (iii) would give or would be likely to give rise to a contravention by the Underwriters, or the Underwriters being involved in a contravention, of the Corporations Act or any other applicable law:

- (disclosures in public information) any information made public to ASX pursuant to the continuous disclosure obligations of the Company or otherwise, or provided to one or more investors (either individually or generally) by the Company includes:
  - a statement which is or becomes misleading or deceptive or likely to mislead or deceive; or
  - any forecasts, expressions of opinion, intention or expectation which are not based on reasonable assumptions;
- (disclosures) any information supplied by or on behalf of the Company to the Underwriters in relation to the Group or the Offer is or becomes misleading or deceptive in a material respect, including by way of omission;
- (hostilities) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of the United States, Australia, New Zealand, Russia, North Korea and South Korea, the United Kingdom, France, Germany, China or Japan or the declaration by any of these countries of a national emergency or war or a major terrorist act is perpetrated anywhere in the world;
- (change of law) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, or any Federal or State authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues, the level or likely level of valid applications for New Shares or stock markets;
- (litigation) after the date of the Underwriting Agreement, adverse publicity occurs, or there occurs an escalation in adverse publicity, in relation to the Entitlement Offer, the Group, Erling Sorensen or Jamie Nemtsas as a result of, or in connection with, the Proceedings (as described in Section 7.1.1);
- (compliance with regulatory requirements) a contravention by the Company of the Corporations Act, the Constitution or the ASX Listing Rules;
- (default) a default by the Company in the performance of any of its obligations under the Underwriting Agreement;
- (market or trading disruption) there is:
  - a suspension or material limitation in trading in securities generally or any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, Hong Kong, the Republic of China, the United Kingdom, the United States of America, a member state of the European Union, or the international financial markets or any change in national or international political, financial or economic conditions;
  - a general moratorium on commercial banking activities is declared by the relevant central banking authority in any of those countries; or
  - any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, Hong Kong, the Republic of China, the United Kingdom, the United States of America, a member state of the European Union or the international financial markets or any change in national or international political, financial or economic conditions;
- (change in management) a change in the senior management of the Company (being Erling Sorensen, Matthew O'Brien or Bill Avery) or in the board of directors of the Company is announced or occurs;



- (adverse change) there is an adverse change, or an event occurs which is likely to give rise to an adverse change, in the financial position, results, operations or prospects of the Company from those respectively disclosed in the Prospectus;
- (forecasts) there:
  - are not reasonable grounds for any statement by the Company in the Prospectus which relates to future matters (including financial forecasts); or
  - ceases to be reasonable grounds for any statement by the Company in the Prospectus which relates to future matters (including financial forecasts) and the Company does not issue a supplementary Prospectus;
- (representations and warranties) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached or becomes not true or correct;
- (constitution) the Company varies any term of its constitution without the prior written consent of the Underwriters to the terms of the variation, such consent not to be unreasonably withheld;
- (change to company) the Company:
  - alters the issued capital of the Company; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company,
 without the prior written consent of the Underwriters (which must not be unreasonably withheld or delayed);
- (charges) the Company or any of its related bodies corporate (as that term is defined in the Corporations Act) charges, or agrees to charge, the whole or a substantial part of the business or property of the Company other than:
  - a charge over any fees or commissions to which the Company is or will be entitled;
  - as disclosed in this Prospectus; or
  - as agreed with the Underwriters (acting reasonably);
- (new circumstances) in the reasonable opinion of either Underwriter, a new circumstance (or a material development in relation to an existing circumstance) arises that would have been required to be disclosed in the Prospectus had it arisen before the Prospectus were lodged with ASX; or
- (timetable) the Timetable is delayed for more than 5 Business Days (in total) without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) and ASX (if required by the ASX Listing Rules).

#### **d. Indemnity**

The Company agrees to indemnify the Underwriters and their affiliates, directors, officers, employees, agents, advisers and related bodies corporate against all claims, demands, damages, losses, costs, expenses and liabilities incurred in respect of the Offer (subject to certain customary exclusions relating to, among other things, fraud, recklessness and wilful misconduct of an indemnified party).

#### **e. Representations, warranties and undertakings**

The Company gives certain standard representations, warranties and undertakings to the Underwriters (as well as standard conditions precedent) under the Underwriting Agreement.

The representations and warranties given by the Company include, but are not limited to, matters such as power and authorisations, compliance with applicable laws and ASX Listing Rules, documents issued or published by or on behalf of the Company in respect of the Offer, the conduct of the Offer and the due diligence process, litigation, material contracts and insolvency.

The Company provides undertakings under the Underwriting Agreement which includes, but is not limited to, notifications of breach of any undertaking given by them under the Underwriting Agreement.

With the exception of the New Shares issued under the Offer and certain other limited exceptions, the Company also provides an undertaking that it will not, without the Underwriters' prior written consent (such consent not to be unreasonably withheld or delayed), allot or agree to allot any Shares (or other securities in the capital of the Company) at any time after the date of the Underwriting Agreement until 60 days after Completion of the Offer. The Company also provides undertakings that until Completion of the Offer, it will not materially alter the capital structure of the Company or amend its constitution.

### 10.8.2 Colignan Lease

Please refer to Section 2.2 for a summary of information regarding the Colignan lease included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

### 10.8.3 Water licenses

Please refer to Section 2.2 for a summary of information regarding the water licenses held by Group companies included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act.

## 10.9 Not investment advice

This Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. The Company is not licensed to provide financial product advice in respect of the New Shares. This Prospectus is a prospectus issued in accordance with sections 710 and 712 of the Corporations Act and does not of itself contain all of the information that is generally required to be set out in a document of this type but refers to other documents the information of which is deemed to be incorporated in this Prospectus.

The New Shares offered under this Prospectus should be considered speculative. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other professional adviser.

## 10.10 Australian taxation

There may be tax implications associated with participating in the Entitlement Offer and receiving New Shares. Murray River Organics considers that it is not appropriate for it to give advice regarding the tax consequences of subscribing for New Shares under this Prospectus or the subsequent disposal of any such New Shares. The taxation implications of the Entitlement Offer will vary depending upon your particular circumstances. Neither the Company nor any of its Officers or employees, nor its advisers, accepts any liability or responsibility in this regard and recommends that you seek and rely upon your own professional advice in connection with the Entitlement Offer.

Please refer to Section 2.2 for a summary of information regarding the Australian taxation consequences for Australian taxation residents included in the December 2016 Prospectus, which is incorporated by reference into this Prospectus under section 712 of the Corporations Act. The information incorporated by reference provides a general overview of certain Australian tax consequences for investors who acquired Shares through the IPO. Such information remains current, with references to acquisition of Shares under the Offer in the information included in the December 2016 Prospectus to be read as references to the acquisition of New Shares under the Placement and the Entitlement Offer.

## 10.11 Quotation and trading

The Company has applied to the ASX for official quotation of the New Shares in accordance with the ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, the Company will repay all Application Monies (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Placement will commence on 6 September 2017.

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Entitlement Offer will commence on 26 September 2017.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell New Shares before receiving a holding statement, you do so at your own risk. The Company, the

Share Registry and the Underwriters disclaim all liability, whether in negligence or otherwise, if you sell New Shares before receiving your holding statement.

## 10.12 Continuous disclosure

The Company is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

The Company is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. That information is available to the public from the ASX and can be accessed at [www.asx.com.au](http://www.asx.com.au).

Some documents are required to be lodged with ASIC in relation to Murray River Organics. These documents may be obtained from, or inspected at, an ASIC office.

## 10.13 Information availability

Eligible Shareholders can obtain a copy of this Prospectus during the Entitlement Offer on Murray River Organics' Entitlement Offer website at [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au).

A replacement Entitlement and Acceptance Form can also be requested during the period of the Entitlement Offer by calling the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00am and 5.00pm Monday to Friday.

If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus on the Murray River Organics website will not include an Entitlement and Acceptance Form.

## 10.14 Legal proceedings

As at the date of this Prospectus, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental proceedings of a material nature in which the Company is directly or indirectly involved which is likely to have a material adverse impact on the business or financial position of the Company.

## 10.15 Consents

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in, or omissions from, this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement which is made in this Prospectus is based, other than as specified below:

- PAC Partners Pty Ltd;
- Morgans Corporate Limited;
- Clayton Utz;
- Deloitte Corporate Finance Pty Limited;
- Deloitte Touche Tohmatsu;

- Computershare Investor Services Pty Limited;
- Frost & Sullivan Australia Pty Ltd; and
- Australian Certified Organic Pty Ltd.

Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant's Report in Section 9 (in respect of the Investigating Accountant's Report disclosed in this Prospectus) and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

Deloitte Touche Tohmatsu has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's current auditor, (including the auditor of Murray River Organic Limited's consolidated financial reports for FY2014, FY2015, FY2016 and FY2017 in the form and context in which it is so named).

Frost & Sullivan Australia Pty Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its 'Independent Market Report on the organic, natural and healthy food and snack market' (8 December 2016), referred in Section 2.2 and Section 3 commissioned by the Company, and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

## **10.16 Costs of the Entitlement Offer and Placement**

The costs of the Entitlement Offer and the Placement are expected to be approximately \$0.8 million (excluding GST). These costs will be borne by the Company from the proceeds of the Entitlement Offer and the Placement.

## **10.17 Governing law**

This Prospectus, the Placement, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each Applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

## **10.18 Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Placement or the Entitlement Offer that is not contained in this Prospectus.

Any information or representation that is not in this Prospectus (other than information incorporated by reference under section 712 of the Corporations Act) may not be relied on as having been authorised by the Company, or its related bodies corporate, in connection with the Placement or the Entitlement Offer. Except as required by law, and only to the extent so required, none of the Company, nor any other person, warrants or guarantees the future performance of Murray River Organics or any return on any investment made pursuant to this Prospectus or its content.

## **10.19 Statement of Directors**

The issue of this Prospectus is authorised by each Director of the Company.

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC and the issue of the Prospectus and no Director of the Company has withdrawn that consent.

# **11. Glossary.**

## 11. Glossary

The below terms are defined as follows for the purposes of this Prospectus:

**AASB or Australian Accounting Standards Board** means the Australian Accounting Standards Board, an Australian Government agency under the Australian Securities and Investments Commission Act 2001 (Cth).

**Applicant** means a person who has subscribed for New Shares pursuant to the Offer.

**Application Monies** means the money paid by Applicants in respect of the New Shares they apply for under the Entitlement Offer.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial products market operated by that entity known as the Australian Securities Exchange.

**ASX Listing Rules or Listing Rules** means the official listing rules of ASX.

**Australian Accounting Standards** means the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations.

**Australian Organic Holdings** means Australian Organic Holdings Pty Ltd (ACN 112 481 633).

**Board or Board of Directors** means the board of directors of the Company from time to time

**Clusters** means dried vine fruit in its natural form, still attached to the stem.

**Constitution** means the constitution of the Company.

**Company** means Murray River Organics Group Limited (ACN 614 651 473).

**Completion of the Offer** means completion in respect of the issue of New Shares in accordance with the Offer, this Prospectus and the Underwriting Agreement.

**Corporations Act** means the Corporations Act 2001 (Cth).

**CRN** means the unique customer reference number allocated to each Eligible Shareholder.

**Dandenong Facility** means Murray River Organics' organically certified packaging, value-add and pick-pack facility in Dandenong, Victoria.

**December 2016 Prospectus** means the replacement prospectus dated 8 December 2016 and lodged by the Company with ASIC on that date.

**Directors** means each of the directors of the Company from time to time.

**Eligible Shareholder** means those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm on 4 September 2017;
- have a registered address on the Murray River Organics share register in Australia, New Zealand or Hong Kong as at the Record Date;
- are not in the United States; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

**Entitlement** means the entitlement of Eligible Shareholders to purchase 3 New Shares for every 11 existing Shares held as at the Record Date at the Offer Price of \$0.30 per New Share.

**Entitlement and Acceptance Form** means the personalised form accompanying this Prospectus.

**Entitlement Offer** means the pro-rata non-renounceable entitlement offer at the Offer Ratio of New Shares to Eligible Shareholders entitling each such Eligible Shareholder to subscribe for their Entitlement to New Shares at the Offer Price.

**Fifth Street vineyard** means the "Fifth Street" vineyard of 291 acres.

**Financial Information** has the meaning given in Section 5.1.

**Food Source International** means the partnership of Baker Reeves FSI Pty Ltd (ACN 606 259 803) as trustee for Baker Reeve FSI Unit Trust and EIElqui Pty Ltd (ACN 606 259 643) as trustee for La Serena Discretionary Trust.

**Group** or **Murray River Organics** means the Company and each of its wholly-owned subsidiaries and, where relevant, means one or more of those subsidiaries as the context requires.

**Ineligible Shareholder** means a shareholder who is not an Eligible Shareholder.

**Investigating Accountant's Report** means the Investigating Accountant's Report set out in Section 9.

**IPO Offer** means the initial public offering of Shares in the Company and the admission of the Company to the official list of ASX in December 2016.

**LTI Plan** means the Long Term Incentive Plan as described in Section 7.3.6.

**Management Team** means the management team listed in Section 7.2.

**Morgans** means Morgans Corporate Limited (ACN 010 539 607).

**Nangiloc property** means the "Nangiloc" property located adjacent to Murray River Organics' Colignan vineyard in Victoria.

**National Employment Standards** means the 10 minimum employment entitlements set out in the Fair Work Act 2009 (Cth).

**New Shares** means the Shares offered by Murray River Organics pursuant to this Prospectus.

**Offer** means the Placement and the Entitlement Offer.

**Offer Price** means \$0.30 per New Share.

**Offer Ratio** means 3 New Shares for every 11 existing Shares held as at the Record Date.

**Officer** has the meaning given in section 9 of the Corporations Act.

**PAC Partners** means PAC Partners Pty Ltd (ACN 165 738 438).

**Placement** means the placement of New Shares at the Offer Price to certain institutional investors pursuant to this Prospectus as set out in Section 8.2.

**Pro Forma Historical Financial Information** has the meaning given in Section 5.1.

**Prospectus** means this prospectus (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document.

**Record Date** means 7.00pm on 4 September 2017.

**Securities Act** means the U.S. Securities Act of 1933, as amended from time to time.

**Shares** means fully paid ordinary shares of the Company.

**Share Registry** means Computershare Investor Services Pty Limited whose details are provided in the "Corporate Directory" section of this Prospectus.

**Statutory Historical Financial Information** has the meaning given in Section 5.1.

**STI Plan** means the Short Term Incentive Plan as described in Section 7.3.6.

**Sunraysia Facility** means Murray River Organics' processing facility in Mourquong, NSW.

**Underwriting Agreement** means the underwriting agreement between the Company and each Underwriter dated on or about 28 August 2017.

**Underwriters** means Morgans and PAC Partners.

**US Persons** has the meaning given in Regulation S under the US Securities Act.

**US Securities Act** means the United States Securities Act of 1933.



# Corporate Directory

## Company's Registered Office

### Murray River Organics Group Limited

32 Crompton Way  
Dandenong South, Victoria, 3175  
Australia

## Underwriters

### PAC Partners Pty Ltd

10/330 Collins Street  
Melbourne, Victoria, 3000  
Australia

### Morgans Corporate Limited

Level 29  
123 Eagle Street  
Brisbane, Queensland, 4000  
Australia

## Australian Legal Adviser

### Clayton Utz

Level 18  
333 Collins Street  
Melbourne, Victoria, 3000  
Australia

## Investigating Accountant

### Deloitte Corporate Finance Pty Ltd

550 Bourke Street  
Melbourne, Victoria, 3000  
Australia

## Auditor

### Deloitte Touche Tohmatsu

550 Bourke Street  
Melbourne, Victoria, 3000  
Australia

## Share Registry

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria, 3067  
Phone: +61 3 9415 4000

## Murray River Organics Information Line

Phone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia)  
Hours: 9.00am to 5.00pm Monday to Friday during the Entitlement Offer

## Company Website

[www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au)