Murray River Organics Group Limited
ACN 614 651 473
32 Crompton Way
Dandenong South Victoria 3175

Phone: +61 3 8792 8500
Web: www.murrayriverorganics.com.au

10 January 2018

REQUISITIONING MEMBER'S STATEMENT & INITIAL FINDINGS FROM EXTERNAL INDEPENDENT INVESTIGATION

Further to the Notice of Extraordinary General Meeting released to ASX on 15 December 2017 by Murray River Organics Group Limited (the Company), attached to this release (as Attachment 1) is the member statement received on 9 January 2018 from the requisitioning members, BLBD Pty Ltd and Meredith Nominees Pty Ltd (the Meredith Group) under section 249P of the Corporations Act.

The Board of Murray River Organics Group Limited continues to recommend that shareholders:

- Vote **AGAINST** resolutions 1 to 7 put forward by the Meredith Group (for the reasons outlined in the material previously sent to shareholders)

- Vote **FOR** resolutions 8 and 9 put forward by the Company's current Directors, to further strengthen the Board as it oversees the turnaround in the business.

The Board questions the strategy (or lack thereof) outlined in the member statement from the Meredith Group on the basis of a lack of detail as to how the proposed directors would be more effective than the current Board (including the additional skills of Messrs Fisher and Kourou) and what their strategy requires from an operational perspective.

The Board can say with confidence that the interaction and support of the CEO, Mr George Haggar, has been positive, detailed and transparent. The current Board and management are getting on with business and successfully implementing their strategy, despite the distraction of this process.

There is mutual support and trust between the current Board and the CEO, and it is important for shareholder interests to allow the current Board and management to continue with their reforms.

Considering the content of the attached statement from the Meredith Group, the Board of Murray River Organics has prepared the following statement, including providing an update on the initial findings of the external independent investigation, to ensure shareholders are fully informed.

Comments on member statement received from the Meredith Group

The points raised by the Meredith Group in its member statement regarding capital mismanagement, poor vision, and poor decision making, are strongly refuted.

The Company's 2017 financial year was impacted by poor performance outcomes, largely driven by a poor harvest in combination with poor crop management decisions, which necessitated the need for a capital raising. The Board supported management in working through all the issues that the Board was made aware of, to ensure the Company had a balance sheet in place to provide the cash needed for its current operations and to appropriately position the Company for the future.

Essentially, former management did not provide the Board with timely and sufficiently detailed information to have acted any differently in the circumstances. Throughout the entire 2017 financial year, both co-founders – Erling Sorensen and Jamie Nemtsas – were Board Members, as well as senior executives of the Company.

Any comments by the Meredith Group relating to poor vision by the Board should be considered in light of the repeated requests by the non-executive Directors for the two co-founders to provide sufficient detail and actions to improve financial performance, which were simply not delivered. As shareholders are aware, the co-founders have exited their executive and board positions, a process facilitated and actioned by your Board.

The following information is provided in response to each of the six arguments raised by the Meredith Group:

Argument 1

While the share price performance has been unacceptable, appropriate actions have been undertaken by the current Board to address previous management's failings. The Board maintains that action was taken swiftly when it was clear that the co-founders were not effectively leading the Company on a path to improved financial performance. As shareholders are aware, the co-founders have exited their executive and board positions, a process facilitated and actioned by your Board.

Argument 2

As highlighted by the independent investigation initial findings (see page 3) it is reasonable to conclude that ultimately there was a disconnect with the Board and the Company's co-founders.

The Board was not given sufficient information from the senior executives to be able to diagnose and act any sooner than it did. In fact, beyond Board concern and suspicion, confirmation of the poor decision making and management practices has only come to light after the Board took the decision to exit the co-founders from their respective positions and commission an external independent investigation.

Since the appointment of the Company's new CEO – George Haggar – the Board has overseen a significant change agenda across many elements of the Company's supply chain and the Directors are encouraged by the progress being made over a short period of time. Despite the ongoing distraction of this 249D shareholder meeting requisition process, the Board and CEO are getting on with business.

Argument 3

Poor harvest outcomes in 2017, in combination with poor operational decisions, had a substantial impact on the Company's cash flow and liquidity. The Board had to act quickly to restore the Company's financial position to ensure Murray River Organics had the required financial flexibility to operate and support a sustainable future.

The Entitlement Offer was undertaken in accordance with advice from Morgans Corporate and PAC Partners and was not made on abnormal terms. Its pricing was consistent with standard discounts at the time given the Company's circumstances. The Entitlement Offer needed to be undertaken to strengthen the Company's balance sheet, with proceeds being used to reduce debt and for working capital.

Argument 4

The Board remains very comfortable with the decision to acquire the Nangiloc property, and while the purchase of the farm had an impact on Company's near-term cash position, it is a strategic asset that provides an attractive long-term growth profile. That is the Board's job – long term strategic thinking. This can be distinguished from the Colignan property acquired previously on a lease basis where no capital value benefit accrues to the Company.

Since the acquisition of the Nangiloc property, the Company has fielded expressions of interest from a range of parties in the agribusiness sector and beyond to discuss how the Company will be maximising value creation from the circa 2,200ha of vacant soon-to-be certified organic land at this property. The Board's decision to acquire and not lease, was made with long-term shareholder value creation at the forefront of its mind.

Argument 5

Thorney Investment Group has been an investor in Murray River Organics since IPO, and has been a very supportive long-term shareholder. Thorney Investment Group's cornerstone participation in the Entitlement Offer not only resulted in a more certain and cost-effective fund raising for the Company, it was also a clear sign of their support for the Company.

Argument 6

The ASIC infringement notice and the action taken by the Board to resolve the issue was not an admission of liability by the Company, nor was it a finding of any breach of law. The Company, and its non-executive directors, have always taken their continuous disclosure obligations seriously, and are committed to keeping shareholders and the market fully informed.

Overview of the initial findings from the external independent investigation

As previously announced to the market on 9 November 2017, the Board took a decision to commission an external independent investigation into the business and operational practices and employee behaviours that may have contributed to the Company's poor performance in the 2017 financial year. The Board engaged a highly respected forensic accounting practice to undertake this investigation (which has not been completely finalised yet). However, it is appropriate that all shareholders be updated on the investigation's initial findings.

As part of this external independent investigation, 11 current and former Murray River Organics' personnel were interviewed. In addition to the interviews, a substantial amount of electronic communications and material was analysed, including emails to and from various current and former Company employees, including Jamie Nemstas and Erling Sorensen.

The key initial findings of the expert independent investigation are:

- On or about late January 2017, it became evident that the projected crop yield in the Sunraysia region had been impacted by adverse weather and this had been communicated by the Mildura operations team to senior management at the time. At that time, senior management made a decision to convert planned fresh table grape harvest into dried fruit cluster harvest in order to mitigate the projected crop yield and pursue a higher sell price in the dried fruit cluster category. The conversion was poorly executed and subsequently failed. The independent directors were not advised of the full implications of this decision until the April 2017 Board Meeting, at which point the decision taken by senior management in January was irreversible.

- Internal processes and procedures that were in place for the 2016 and 2017 harvest were poor and the independent directors were not promptly informed. In particular, processes relating to waste product and product to be reworked at the Mildura operations were highly questionable, and as soon as these poor practices overseen by senior management were uncovered by the Board, a provision for 100% of the incorrectly graded stock was taken up in the accounts and further disclosure made at the 2017 AGM.

- Poor practices relating to weighing of product at the Mildura operations overseen by senior management. This included ceasing the practice of weighing all fruit bins and instead applying a notional weight per bin. These practices – now fully rectified – were not disclosed to the Board until July 2017, and ultimately triggered a full inventory review by the Board which was explained at the recent AGM.

The external independent investigation is ongoing. The Board believes that the decisive steps taken in 2017 to exit the co-founders, Erling Sorensen and Jamie Nemtsas, from the business was appropriate and that action is supported by the initial findings of the external independent investigation. In addition, the appointment of new CEO George Haggar and adoption of strategies to improve supply chain performance are viewed as critical steps to move forward with business and ensure a strong and transparent relationship between the executive and Board.

For further information contact:

Media

Tristan Everett
Market Eye
P: +61 403 789 096
E: tristan.everett@marketeye.com.au

Investors

Eric Kuret
Market Eye
P: +61 3 9591 8900
E: eric.kuret@marketeye.com.au

About Murray River Organics

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

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

ATTACHMENT 1

REQUISITIONING MEMBER'S STATEMENT

9 January 2018

Dear MRG shareholders,

VOTE 'YES' FOR RESOLUTIONS 1 TO 7 AND AGAINST RESOLUTIONS 8 TO 9

SUPPORT THE REPLACEMENT OF DIRECTORS FOR MRG

We have requisitioned a shareholder meeting to replace the existing Board of Murray River Organics Group Limited (**MRG**) with new directors who we believe will deliver significantly better strategic direction for the benefit of all shareholders.

This is not a decision we have taken lightly.

Since listing 12 months ago, Chairman Craig Farrow and Non-Executive Director Lisa Hennessy have overseen a steady irreversible decline in the fortunes of our company. This, in our view, is characterised by capital mismanagement, poor vision, poor decision making and general lack of understanding of business.

The existing Board must be held accountable and replaced with a new Board which is properly equipped to manage the business and restore value for shareholders.

Our declining fortunes

1. Your MRG shares are now trading at approximately 38 cents per share, down from the listing price of $1.30, a huge decline of 70% overseen by Farrow and Hennessy.

2. In September 2017, Farrow remarked in the recent capital raising prospectus that 'execution of the Company's strategy can be further improved' and 'some of the delays experienced were outside the control of the Company and some, in hindsight, required better planning and better progress reporting'. These are gross understatements. In our view, this illustrates mismanagement and a deep disconnect between the Board and senior management team.

3. The recent capital raising in September 2017 was undertaken at an inopportune time and on extremely poor terms for existing shareholders. Such a large capital raising at a bargain issue price of 30 cents was deeply dilutive and destroyed value. The stated purpose for the raising was to reduce debt and apply funds to working capital. We find it incredible, and a demonstration of the Board's poor decision making and business sense, that this would be required such a short time after listing.

4. We suspect the need to raise capital was contributed to by the Board's decision to proceed with the cash purchase of a farm property for $7.5 million in early 2017, which

was announced at the same time as announcing a profit downgrade. Purchasing a freehold property in these circumstances was not appropriate.

5. The recent capital raising contained a very large institutional placement component which handed a significant stake to now major shareholder, Thorney Investment Management. **Unsurprisingly the Board has noted that Thorney is supporting the current Board!**

   We do not consider that the interests of Thorney as a financial investor are necessarily aligned with the wider MRG shareholder base, particularly given their low cost entry.

6. While MRG did not admit liability, the infringement notice and penalty issued by ASIC against MRG in November 2017 is deeply concerning and to us indicates very poor governance.

Your new Board has a well-defined plan and a strategic vision to grow shareholders' value through efficient operations, managing cashflow growth, enhancing margins through branded products and minimising shareholder dilution.

Your proposed directors are Steven Si, Andrew Monk and Keith Mentiplay. They are highly experienced and skilled in the food and agriculture sector. They have a well developed strategy in place which will utilise their skillset, industry relations, Chinese connections, positive market engagement and approach to shareholder consultation to put MRG back on the path of growth.

Each director has a deep and genuine understanding of the sector and extensive business experience which will re-invigorate MRG and manage it in a way which restores and creates value for shareholders.

We note that the current Board's allegations regarding the independence of the new directors are completely baseless and irrelevant. Each of the directors is extremely well credentialed and equipped to take the business forward.

Their strategy will focus on the following:

a. **Protecting shareholder value by focusing on near-term increase in cash flows** through high margin branded products, better marketing and conserving administrative costs.

b. **Setting MRG up for long-term, sustainable growth through asset optimisation**, freeing up internal cash, overseeing management incentives based on high performance, acquiring cash flow generating assets and establishing market leading brands.

c. **Focusing on the growth markets of China, India and wider Asia** and increasing MRG's sales in those territories through smart product placement, creating distribution channels and partnering with the right people and products.

Biographies of new Directors

1. **Steven Si** – Steven is Chairman and Managing Director of the Shanghai Yi Yuan Group of companies, established in 1994. Based in Shanghai, the group has various companies specialising in manufacturing and distribution. The total revenue for 2016 was in excess of A$500m and achieved through strategic partnerships with Wal-Mart, Home-Depot, Carrefour and others.

   Steven is also the Managing Director of Moran Furniture and a director of Kadac food distribution business. He is also a key member of the China General Chamber of Commerce. Steven brings a wealth of knowledge and connections into the Chinese market.

2. **Andrew Monk –** Andrew has owned and/or managed organic SMEs in horticulture, food processing and waste management. He also has extensive technical experience in organic regulations and intimate working knowledge of this multi-sector industry domestically and internationally.

   He has a public role as Chairman of Australian Organic Ltd, a not for profit industry services group with over 2,000 organic businesses, requiring multi-stakeholder consultation and representation. He brings a pragmatic, hands-on approach to business growth and executive monitoring.

3. **Keith Mentiplay** - Keith has worked at Murray Goulburn, National Foods / Lion, Nestle and other global names, with responsibility for markets in Australia, New Zealand, Indonesia, Malaysia, Singapore, Hong Kong and Philippines. With over 40 years in the food industry, he has taken on diverse roles including General & Executive management, operations & supply chain, international business, operational excellence, business transformation and business expansion.

   Keith has also held multiple prestigious food industry board positions such as Canberra Milk, Queensland Butter, Murray Goulburn and Vitasoy.

Signed on behalf of Meredith Group:

Bryan John Meredith, Director