

31 July 2018

Update on farm operations and financing activities

Murray River Organics Group Limited (ASX:MRG) (“**Company**” or “**MRO**”) provides the following update regarding its farming operations and financing activities.

Update on farm operations - Project Yield

As announced on 4th June 2018, Director Mr. Michael Porter was engaged as an independent contractor to the position of interim Regional Corporate Farms Manager (**RCFM**), while the Company was conducting a search for a suitable permanent candidate. The Company is now pleased to announce the appointment of Mr. Wayne Turner as General Manager – Sunraysia Operations which encompasses the RCFM role, together with management of the Mourquong processing facility. Further details about Mr. Turner's appointment, and the continuation of Mr. Porter's Executive role for a transitional period, are provided below.

Since his appointment, Mr. Porter has been leading the Company's farming operations and the review of those farming operations, and has commenced rolling out ‘Project Yield’, being an action plan to seek to address the underperformance of MRO's farming assets.

The foundations of Project Yield are built on having the right people, plans and processes; underpinned by implementing best-practice farming practices to seek to ensure that the Company's on-farm yield meets forecast in a year with normal seasonal conditions.

The Board has endorsed the following action items in connection with the continued roll out of Project Yield by the Company:

- Centralisation of farm services, including senior leadership and decision making, procurement, administration, budgetary control, irrigation and equipment maintenance.
- Appointment of Mildura Ag as the Group's agronomy partner, to provide specialist agronomy services across fresh and dried fruit, and citrus, including those services set out in Appendix A. Mildura Ag will commence these services from August 2018. A brief summary of Mildura Ag's experience is also included in Appendix A.
- Appointment of Dr. Stuart McNab as an expert technical consultant to the Company to provide those services as set out in Appendix B. Dr. McNab was previously Chief Supply Officer – Global Wine Production for Treasury Wine Estate. A summary of Dr. McNab's recent experience is also included in Appendix B.

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- Engagement of people with the appropriate capabilities to support delivery by the Company against production targets.

Implementation and further development of Project Yield will continue over the coming months. The seasonal nature of our farming operations means that MRO expects that the full benefit of these changes will be realised over the next two growing seasons.

Ms. Tripp said, “We are finally addressing the systemic underperformance of our farms. While we have been shocked by the findings of our review, they go some way to assist us in understanding and explaining the poor yields and conditions found. With the changes in management, new disciplines and accountabilities, we are confident that we will deliver improved performance. Michael Porter has stepped into a new management role in our farming operations at a crucial time, and we are grateful for his continued leadership and efforts to transform this critical part of our operations.”

Project Yield will be focused on addressing the failures that have been identified in the comprehensive reviews of farming operations undertaken by both the Company's management team and Dr. McNab over the last 3 months. These include:

- Poor vine/tree/crop management;
- Poor grafting practices;
- Inadequate water and nutrition application rates;
- Poor supervision and on-farm governance;
- Irregularities in contract labour supply; and
- Poor communication and decision making.

These failures have highlighted a general lack of performance culture and poor decision-making.

As part of the review of farming operations, evidence of potentially improper conduct has been uncovered. As a consequence, a number of staff have left the business and the Company is continuing to investigate matters fully with the assistance of KordaMentha. The Board is committed to acting in the best interests of MRO and its shareholders. Where appropriate to do so, it will pursue wrongdoing committed against the Company and its shareholders and will continue to update the market.

Mr. Andrew Monk, Chairman, said, “The Board has been extremely disappointed by the findings in relation to our farming operations. We are committed to putting in place the appropriate governance, management and oversight to ensure these events are not repeated. Our goal is to ensure that the full potential of the Company is realised.”

Appointment of Mr. Wayne Turner as General Manager – Sunraysia Operations

As previously announced, the Company has conducted an extensive search for a full time RCFM. This process shortlisted a number of high performing candidates and the Company is pleased to announce a senior appointment of Mr. Wayne Turner as General Manager – Sunraysia Operations which encompasses the RCFM role together with the management of the Mourquong processing facility.

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Mr. Turner brings extensive executive management in horticulture, food manufacturing, FMCG, biotech and renewable energy sectors, where he held senior roles with organisations such as Select Harvests Limited, Australian Pomegranate Growers, George Weston Foods, Agri Energy, Horizon Science and Daintree Estates. Mr. Turner has a Bachelor of Science Degree from Monash University.

Ms. Tripp said, “We are delighted to welcome Wayne to the MRO team. His appointment continues the rebuild of the key management team over the last few months. His extensive horticulture, food processing and water management expertise brings exactly the right skills set to lead our Sunraysia operations.”

Mr. Porter has kindly agreed to continue in an Executive role until Mr. Turner transitions into his new role. The engagement of Mr. Porter will continue on the following terms:

- Duration: until 10 September 2018
- Rate: \$1600/day plus GST (anticipated 4-days/week)
- The Company will reimburse Mr. Porter for reasonable travel and accommodation expenses required to fulfil the role estimated at \$600 per week for accommodation and transport.

Update on financing discussions

MRO has been working productively with NAB, its debt provider, and is pleased to confirm that NAB has today agreed to a further increase of \$3.6M of trade facilities to continue to support the working capital needs of the MRO business. As a result of this increase, MRO's total NAB debt facilities will be \$52.4M, which are not fully drawn. This funding provides the next stage of progressive interim cashflow support for the business while MRO continues discussions with NAB, its major shareholders and other potential equity investors, including underwriters for its proposed equity raising.

On completion of the 31 July 2018 annual review, NAB has also agreed to extend the maturity date of \$26.1M of debt (related to the trade facility, working capital facilities and bank guarantees) to 30 November 2018. This gives the Company time to conduct the proposed equity raising to fund the cashflow needs of the business and support the balance sheet. As part of the capital raising, MRO expects to put in place new longer term banking arrangements.

Mr. Monk said, “The Board appreciates the ongoing support from the NAB as we work through the restructuring and turnaround of the MRO business. We look forward to concluding our equity raising discussions”.

Other updates

The Yeaman high-speed processing line is fully operational and progressively increasing production speed for our various snack box products.

MRO has completed the first revision of warehouse management, planning and production processes, which has enabled the implementation of more efficient and cost effective operations at our Dandenong

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facility. Additional improvements will be made as recruitment of key middle management positions is finalised and further process improvements are implemented.

Raw material and finished goods inventory levels in Dandenong have been reset and more effective working capital management processes put in place. These continue to be refined to ensure that MRO's capital is used efficiently whilst customer service is maintained and continually improved.

Voluntary suspension

The Company is continuing to progress discussions with its bank and major shareholders regarding the capital requirements of the business, and to undertake the work required to issue a disclosure document for the proposed equity raising, as previously announced. While these matters are ongoing and uncertain, the Company believes that resumption of trading in its securities could be materially prejudicial to the Company's ability to successfully implement the proposed equity raising. The Company currently expects that the voluntary suspension of trading will remain in place until early September and will continue to inform the market of material developments as matters progress.

Investors / Media

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

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APPENDIX A - Mildura Ag Experience and Services to be provided to MRO

Swan Hill Chemicals (Mildura Ag)

Swan Hill Chemicals is an agricultural service provider with more than 30 years experience in Horticultural and Broad Acre industry in Southern NSW, Mallee and Sunraysia regions. Through their branches Swan Hill, Robinvale Ag Supplies, Mildura Ag Supplies and Aurora Distributors, their business provides services which incorporates chemical sales, agronomy advice, technical services and precision farming solutions.

Swan Hill Chemicals are a member of Aglink which is a group of 16 Independent Rural Merchandise Shareholders operating Australia-wide, giving their customers access to a nationwide network of growers, producers, and agronomic solutions.

Mildura Ag Supplies will provide MRO with an agronomic package, incorporating farm inputs, agronomy advice, technical services and precision farming solutions. The technical services package to be provided by Mildura Ag Supplies to MRO includes services such as:

- Crop planning and monitoring
- Pest and disease scouting
- Normalised Difference Vegetation Index imagery
- Yield data mapping
- Unmanned Aerial Vehicle technology
- Agworld Services

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APPENDIX B – Dr. Stuart McNab Experience and Services

Dr. Stuart McNab

Over the past 25 years, Stuart has worked across all areas of the wine supply chain and has extensive global experience in general management, and optimising complex supply chains in the wine and food sector. Stuart brings extensive expertise in horticulture, viticulture, agronomy, irrigation, soil and pest management.

Stuart was previously the Chief Supply Officer at Treasury Wine Estate, managing Global Wine Production and has direct experience across the whole of supply chain from growers, company vineyards, winemaking, packaging and logistics, through to customer service procurement and brand management. Stuart has directly managed vineyards and overviewed management of 13,000 Ha of vineyards globally.

Prior to this, Stuart was the Director of Wine Production for Fosters Group, Australian and New Zealand, managing growers, vineyards, packaging and domestic and export logistics. Stuart holds a B.Ag Sci (hons) and a PhD in Agricultural Science from the University of Melbourne.

Scope of Review by Dr. Stuart McNab

Dr. Stuart McNab was appointed on 25 May 2018 to assist the Company's management in undertaking a detailed review across the Company's 13 farms and Mourquong processing facility, including:

- Farm layout
- Trellis and condition
- General site condition
- Equipment, condition and particular management, clean down and segregation of plant and equipment used on conventional farming units (utilising non organic inputs) from organic production equipment
- General agronomy, including an assessment of soil and crop nutrient level monitoring systems and overall management of inputs/crop nutrient requirements
- Water allocations and usage
- Irrigation system capacity and condition
- Irrigation management and monitoring technology
- Assessment of all farm inputs stored on sites including compliance and volumes
- Yield vs industry standards
- Yield variability and yield estimation techniques
- Quality control systems
- Observations on Workplace Health & Safety (WH&S)
- Observations on record keeping and related documentation, including QA documents, SOPs for core farming activity and organic and food safety certifications
- Staffing – qualifications, technical knowledge and experience, including specific requirements for organic and food safety compliance

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