

8 May 2020

OPERATIONS AND HARVEST UPDATE

- **Murray River Organics Launching new Muesli range across 800 Coles stores in June with estimated revenues of \$5-6m per annum**
- **Exports to China, Japan and Europe recommence**
- **Import supply lines begin to re-open**
- **Ingredients business experiencing increased demand**
- **Harvest underway for dried vine fruit, table grapes, citrus and hemp**
- **Cost saving measures in FY20 totalling \$1.6m**

Murray River Organics Group Limited (ASX:MRG) ("MRG" or "the Company") provides the following update to operations and harvest.

Operations Update

MRG has continued to assess the impact of COVID-19 on the Company's operations.

As previously noted, MRG had experienced delays to shipping and orders since February. MRG advises that key export markets have now resumed ordering including China, Japan and Europe. Given this renewal of demand MRG is continuing to build on its "Taking Sunraysia to Asia" strategy with further investments in China; these include the development of its own Tmall store, due to launch in June, and new digital programs across WeChat, Little Red Book and Tik Tok, all aimed at increasing the Company's brand awareness.

MRG's National Retail business has also experienced strong demand leading to 'out of stocks' for some imported categories, such as organic rice, which are being replenished as quickly as possible. The Company's import delays have reduced as logistical supply lines reopen; additional volumes of inventory and packaging are now flowing through to MRG's processing centers.

MRG's branded national launch with Coles supermarkets scheduled for June 2020 is well underway with the first production run on the new packing line occurring this week. Eight new Murray River Organics branded muesli products will be launched nationally across 800 stores with estimated revenues of \$5-6m per annum.

MRG's Ingredients business has experienced increased demand and additional orders; this has continued at higher levels than those prior to March. Crucially for the Ingredients business, MRG

secured a new supply partnership for dried vine fruit with Nestle and looks to expand that relationship into other categories.

Building on the recent restructuring, cost reduction program and cash preservation initiatives, and in light of COVID-19 impacts, the Company has conducted an intensive review of operations and costs and implemented cost saving measures in FY20 totaling \$1.6m across its operations and will also implement further savings measures over the next twelve months. The Company has put a freeze on all non-essential capital expenditure and a range of other initiatives to preserve cash.

Harvest Update

MRG's dried vine harvest is well underway. Rain events in April and May have slowed the harvest for both MRG and its growers. The poor season and the rain will impact the quality and availability of some varieties and grades. Given the quality risks, MRG will not supply Clusters this season. This will mean that all farms will be machine harvested and there will be no manual picking for Clusters on MRG farms. MRG will re-commence the Clusters program next season. This will result in minimal sales for Clusters in FY21 as the planned Clusters will be harvested and sold as bulk dried vine fruit.

Approximately 60% of the expected 2020 dried vine crop has been contracted at the opening of the season. Pricing for conventional 5 Crown Light Sultana has opened at \$4800/ton CIF Europe, this is \$400 higher than last season. The industry estimates that this year's crop will be down by 20% on last season due to poor growing conditions, high water prices and low water allocations, and dried vine growers exiting the industry.

MRG's fresh table grape harvest is good quality, improved yields and is approximately 70% completed. MRG's primary market in China has experienced some pressure on market pricing as significant volumes are routed to China given some closures in other table grape markets such as Indonesia, Philippines and South East Asia.

MRG has commenced its citrus harvest this week. Quality is variable due to the windy and hot weather over summer marking some fruit. The industry anticipates strong demand similar to the post-SARS spike in 2003 with Asian consumers seeking vitamin-C laden fruit.

MRG's hemp crop harvest at the Nangiloc farm is nearing completion. The early signs from the initial seed assessments are that the quality of seed is good and should deliver a high-grade product once cleaned and sorted. Despite the weather challenges early in the season, the yield is expected to deliver approximately 20 tonnes. This first pick of our successful trial crop is evidence that an organic hemp crop of scale can be grown in the Sunraysia region. The trial and harvest have received coverage from the ABC; this can be viewed at the following website:

<https://www.abc.net.au/news/2020-05-07/hemp-smoothies-muesli-among-creative-uses-of-first-edible-crop/12196510>

MRG has continued to adhere to strict preventative measures to reduce risks to its people and operations at all sites including social distancing, split production teams, limiting visitors to sites unless

critical to operations, meetings using technology and remote working where possible. MRG continues to monitor and update these measures.

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This announcement has been approved for release by the Board of MRG.

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.

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