Murray River Organics™

H1 FY18 Results Release & Business Update

27 February 2018

George Haggar – Chief Executive Officer
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Today's Update

Murray River Organics™

Putting into context our past, present and future

H1 FY18 Update – 27 February 2018

Past 18 months

- ✓ Acquired Food Source International
- ✓ Acquired Australian Organic Holdings
- ✓ Acquired Fifth Street fresh grape farm
- ✓ Acquired Nangiloc citrus orchard & substantial vacant landholding
- ✓ Expanded dried vine fruit footprint at Colignan by over 150%
- ✓ Built new processing facility at Mourquong
- ✓ Built new packing facility at Dandenong
- ✓ Installed SAP B1
- ✓ Listed on the ASX

- ✓ FY16 actual turnover: $12 million
- ✓ FY18 forecasted turnover: $75-$80 million (over 6x sales growth)

Outlook for the Future

- ➢ New Board of Directors
- ➢ New Management Team

- ➢ Turnaround Plan
- ➢ Address 'growing pains'

- ➢ Realise 2x 'organic' growth in dried vine production over the next 4 years

- ➢ Nangiloc farm development and footprint expansion

H1 FY18 in review

Significant one-off costs brought to account, turnaround plan underway

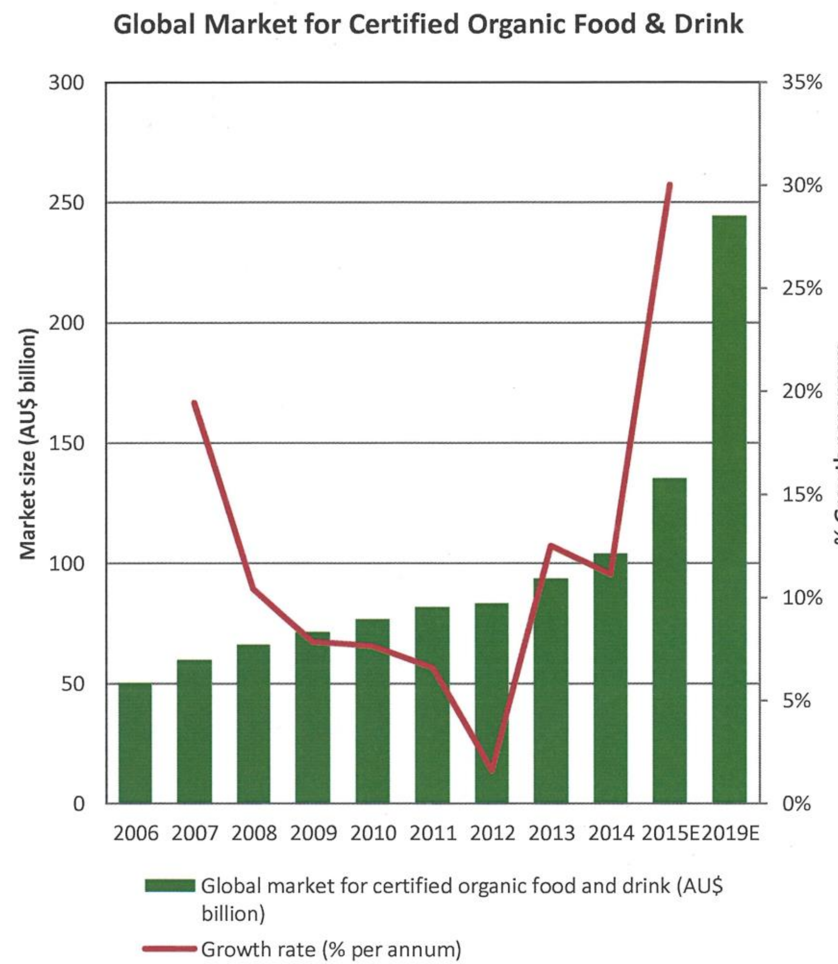
$'000	Dec-17	Dec-16
Net Sales Revenue	39,373	16,699
Reported EBITDA (Loss)	(16,034)	1,817
Underlying EBITDA	3,050	3,458
Reported Net Loss After Tax	(22,193)	(1,170)
Net Assets	55,565	66,279
	Dec-17	Jun-17
Net Tangible Assets (Per Share)	0.45	0.65

- New CEO appointed 9 November 2017
- New Board installed 24 January 2018
- NAB (lender) supportive of the business
- One-off costs brought to book covering goodwill impairment, inventory write-down and provisioning, restructuring costs and reversal of provision for group reorganisation
- Sales mix overweight on bulk/commodity lines which is impacting margins
- Turnaround plan will focus our people on process and systems improvement

Organics market

Strong growth thematic in global and Australian organics sector landscape

- According to the Australian Organic Market Report 2017:
  - Australian consumer market for organics is estimated to be worth $1.4 billion
  - Australian consumer market for organics is projected to exceed $2 billion by the end of 2020
  - 17% growth in volume of organic products exported from Australia in 2016
- MRG's estimated market share is currently circa 5.7%
- In December 2016, MRG commissioned an Independent Market Report from Frost & Sullivan to profile the organic, natural and healthy food & snack markets:
  - Long term global growth rate for organic food is 9.5%
  - Global health & wellness food sector (including organics, naturally healthy, better for you, food intolerance targeted) in 2014 was worth $1.0 trillion

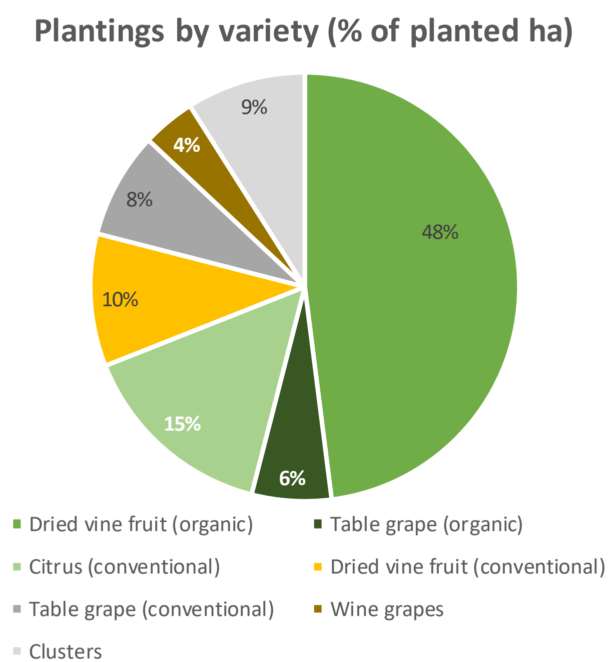


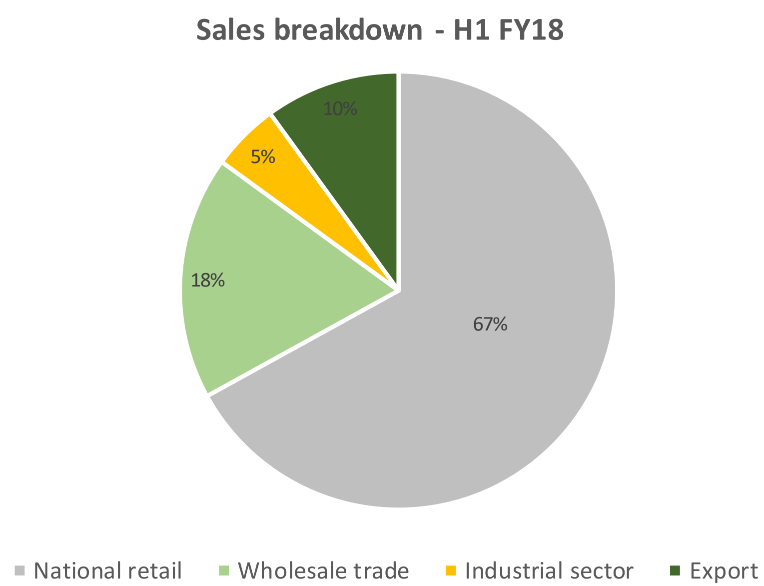
Source: The Global Market for Organic Food & Drink, Organic Monitor, 2016 and McKinsey Analysis

Company overview

Murray River Organics Group is a leading Australian producer, packer and seller of organic and 'better-for-you' food products

- 13 farms in the Mildura/ Sunraysia region with 4,128ha of dried vine fruit, table grape and citrus orchards, including 2,896ha of vacant land
- Incremental dried vine fruit supplied from 39 growers in the Sunraysia region
- Source & procure circa 6,000MT of organic and conventional ingredients for organic and 'better for you' products

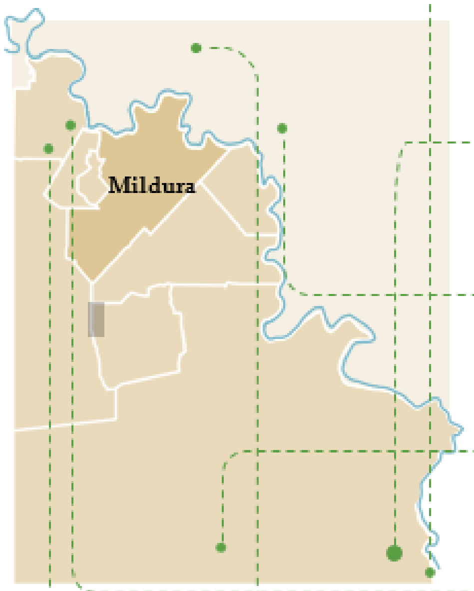




- Organic dried vine fruit plantings currently estimated at 50% maturity
- 'Organic' growth in dried vine fruit production over the next 4 years as our planted orchards reach full maturity

Company overview

High quality asset base well positioned to supply the growing market



COLIGNAN
1,069ha farm, 632ha planted + 87ha available to be planted
organic dried vine fruit + citrus
long term finance lease until 2040 with two 10 year options thereafter

NANGILOC
3,141ha farm, 112ha planted + 2,598ha available to be planted
wine grape + citrus
in discussions with ACO on timing of certified organic status

GOL GOL
122ha farm, 95ha planted + 15ha available to be planted
organic dried vine fruit + citrus

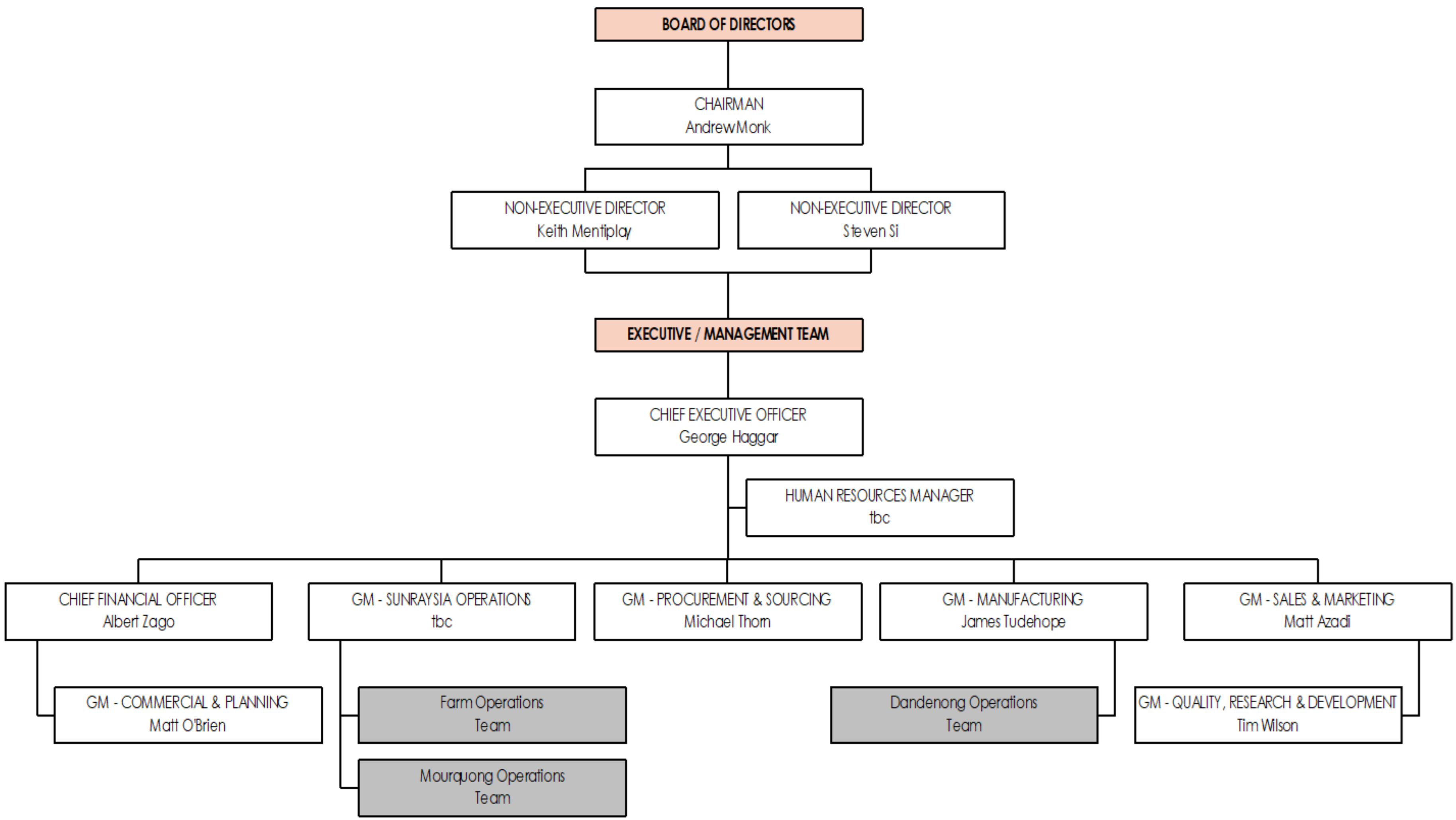
YATPOOL
390ha farm, 187ha planted + 146ha available to be planted
organic dried vine fruit + citrus

MERBEIN
collection of 8 farms totalling 149ha farm, 132ha planted + 16ha available
organic and conventional dried vine fruit

FIFTH STREET
117ha farm, 71ha planted + 32ha available to be planted
conventional fresh table grapes

MOURQUONG
certified organic, SQF accredited facility
dried vine fruit storage, dehydration, sorting, processing & packing

Organisational chart



Key Financial Results

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$'000	Dec-17	Dec-16	Change	%
Net Sales Revenue	**39,373**	**16,699**	**22,674**	**135.8%**
Underlying EBITDA (i)	**3,050**	**3,458**	**(408)**	**-11.8%**
Underlying EBITDA to Net Sales (i)	*7.75%*	*20.71%*		*-13.0%*
Depreciation	(2,959)	(1,738)	(1,221)	70.3%
Underlying EBIT (i)	**91**	**1,720**	**(1,629)**	**-94.7%**
Underlying EBIT to Net Sales (i)	*0.23%*	*10.30%*		*-10.1%*
Significant One Offs	(19,084)	(1,641)	(17,443)	NMF
EBIT (loss)	**(18,993)**	**79**	**(19,072)**	NMF
Interest Expense	(1,569)	(942)	(627)	66.6%
Reported Net Loss after Tax	**(22,193)**	**(1,170)**	**(21,023)**	NMF
Basic EPS (cents)	(0.19)	(0.03)	(0.16)	NMF
	Dec-17	**Jun-17**		
Net Tangible Assets per share (ii)	0.45	0.65	(0.20)	-30.8%
Working Capital (iii)	17,598	23,942	(6,344)	-26.5%
Net Bank Debt (iv)	35,692	28,606	7,085	24.8%
Gearing - Bank Debt to Capital (v)	39.1%	30.1%		9.0%

(i) Before significant one off costs
(ii) Issued shares as at Dec 17: 127,576,691 & Jun 17: 87,086,550
(iii) Receivables (excl related party receivables) and inventory less trade and other payables (excl Nangiloc payable)
(iv) Net borrowings less Colignan vineyard finance lease
(v) Net bank debt divided by total equity plus net bank debt
EBITDA means Earnings Before Interest, Tax, Depreciation and Amortisation/Impairment
EBIT means Earnings Before Interest and Tax
NMF means Not a Meaningful Figure

Sales up mainly due to full 6-month contribution of acquisitions of Food Source International (Sep 16) and Australian Organic Holdings (Nov 16)

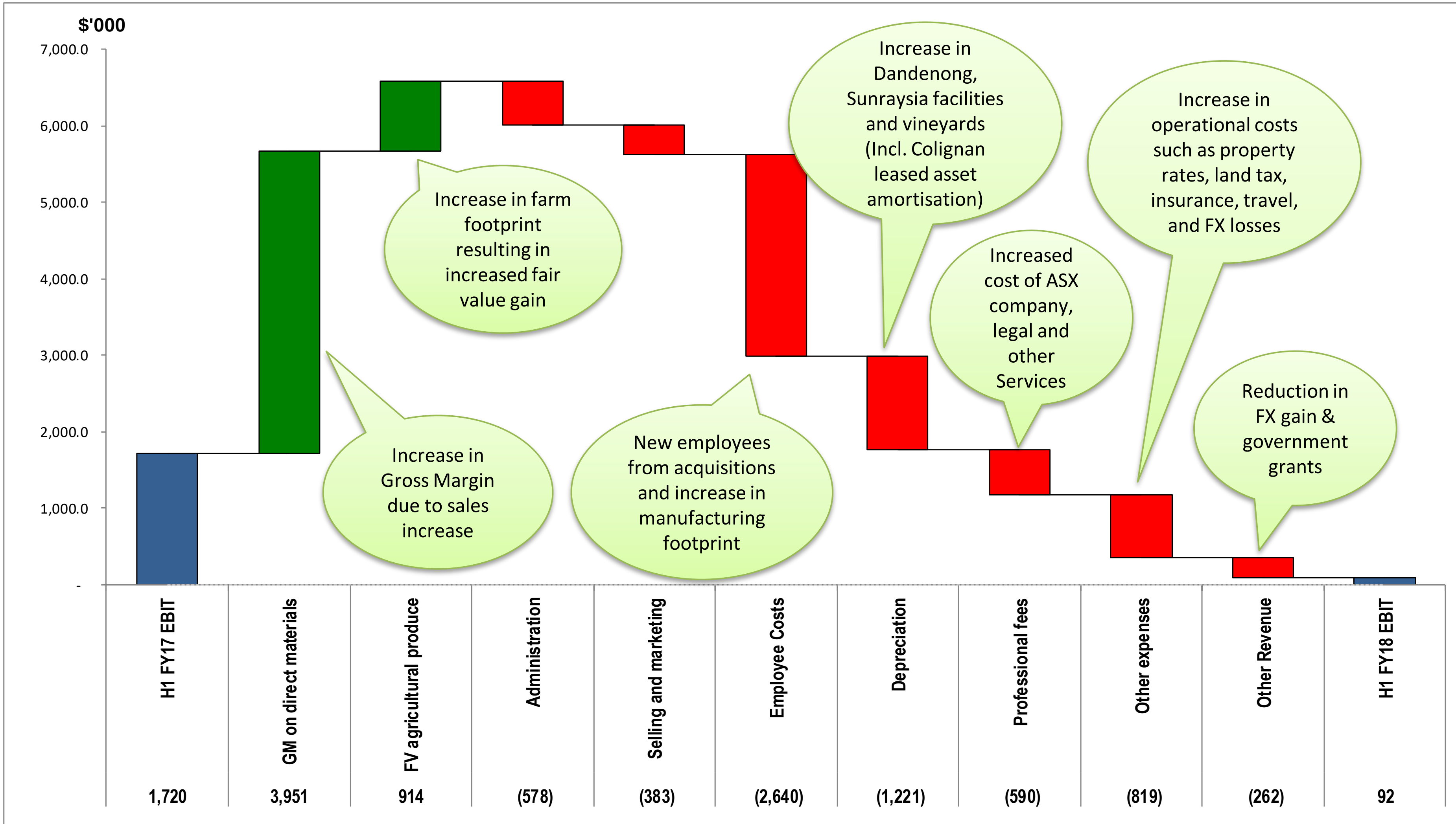
Underlying EBITDA impacted by:

- Slower than anticipated efficiencies from the Dandenong site & delays in commissioning new Sunraysia processing facility
- Lower margins with customers in commoditised and uncontracted environment
- Poor service levels due to out of stocks

$'000	Dec-17	Dec-16
Inventory write down	(8,344)	-
Goodwill Impairment	(10,376)	-
Restructuring costs	(1,405)	-
Reversal of provision for group reorganisation.	1,041	-
IPO and acquisition related costs	-	(1,641)
Total	**(19,084)**	**(1,641)**

Financial Overview

Underlying EBIT bridge – H1 FY17 to H1 FY18



Balance sheet

Balance Sheet is a significant focus for management

$'000	Dec-17	Jun-17
Cash and cash equivalents	2,763	2,724
Trade and other receivables	8,751	8,891
Inventories	19,925	27,069
Agricultural produce	11,391	4,407
Other assets	1,102	4,187
Asset held for sale	1,811	2,069
Total current assets	**45,743**	**49,347**
Property, plant and equipment	87,976	82,241
Intangible assets	373	10,749
Deferred Tax Assets	-	1,784
Total non-current assets	**88,349**	**94,774**
TOTAL ASSETS	**134,092**	**144,121**
Trade and other payables	11,078	18,122
Borrowings	17,810	17,288
Provisions & other	2,271	5,629
Total current liabilities	**31,159**	**41,039**
Borrowings	44,141	33,228
Provisions & deferred tax liabilities	3,227	3,575
Total non-current liabilities	**47,368**	**36,803**
TOTAL LIABILITIES	**78,527**	**77,842**
NET ASSETS	**55,565**	**66,279**

- NTA per share(i) as at Dec $0.45 (30 June 17 at $0.65)
  (i) Issued shares as at Dec 17: 127,576,691 & Jun 17: 87,086,550

$'000	Dec-17	Jun-17	Change
Trade & other receivables	8,751	7,824	927
Inventories	19,925	27,069	(7,144)
Trade & other payables	(11,078)	(10,950)	(128)
WorkingCapital (ii)	17,598	23,942	(6,344)

(ii) Receivables (excl related party receivables) and inventory less trade and other payables (excl Nangiloc payable)

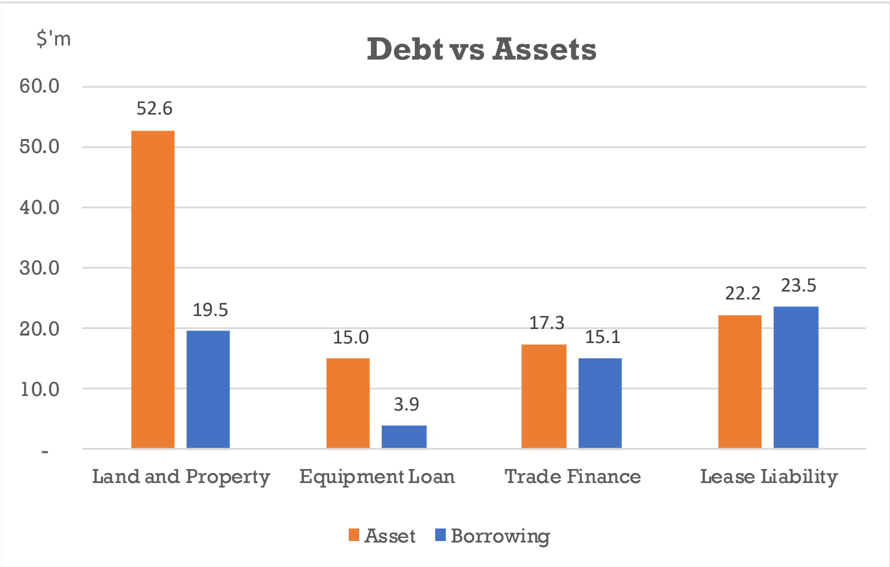
- Inventory down compared to June due to normal timing of harvest occurring in 2nd half
- Biological assets/Agricultural produce at a high point in December, with harvesting underway – typically between February and March

$'000	Dec-17	Jun-17
Inventories	19,925	27,069
Agricultural produce	11,391	4,407
Total	31,316	31,476

- Assets held for sale – targeting non core assets
- Goodwill write-down due to EBITDA not tracking in line with previous forecasts
- Unbooked tax losses $4.842 million (Gross $16.140 million)

Debt Profile

- Strong and long-term relationship in place with NAB (lender)
- Since 30 June 2017, trade finance facility increased from $12 million to $16 million
- Interest Cover covenant removed for the remainder of FY18 - Revised bank debt covenants (in particular Interest Cover) to be reviewed with NAB prior to 1 July 2018 for FY19
- MRG driven initiatives underway to reduce bank debt gearing levels through an orderly sale of non-core assets and improving profitability
- Four separate debt components that are matched to strong asset base



$'000	Dec-17	Jun-17
Bank debt	38,455	31,330
Cash and cash equivalents	(2,763)	(2,724)
Net bank debt	**35,692**	**28,607**
Total Equity	55,565	66,279
Net bank debt to capital ratio [(i)]	**39.1%**	**30.1%**

[(i)] Net bank debt divided by total equity plus net bank debt

Net borrowings (Incl. Colignan finance lease)	59,188	47,792
Net borrowings to capital ratio [(ii)]	64.9%	50.4%

[(ii)] Net borrow ings divided by total equity plus net bank debt

Cashflow

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$'000	Dec-17	Dec-16	Change
Cash in/(out) flow from operating activities	**(5,328)**	**(7,313)**	**1,985**
Capital expenditure	(14,897)	(20,285)	5,388
Business acquisitions	(2,626)	(15,235)	12,609
Net proceeds from borrowings	7,510	5,176	2,334
Proceeds from leases - Colignan	4,310	1,566	2,744
Net repayments of hire purchase liabilities	(400)	604	(1,004)
Net proceeds from capital raising	11,455	43,797	(32,342)
Other	15	430	(415)
Net cash position at beginning of year	2,724	2,249	475
Net increase/(decrease) in cash	39	8,740	(8,701)
Net cash position at end of year	2,763	10,989	(8,226)

- Cash flow from operating activities improved on PY largely driven by a significant increase in customer receipts relative to supplier payments
- Business acquisition relates to earn out payments that were based on sales growth
- Proceeds from leases relates to Colignan vineyard development – reimbursement & lease back arrangement
- Last significant equipment installation for the Dandenong facility expected to be installed by June 2018 – $0.735 million to be paid in 2nd half

Key CAPEX	$'000
Nangiloc - acquisition	7,172
Colignan farm - recovered via lease back arrangement	1,314
Vineyard development	2,890
New storage & processing facility in Sunraysia	1,910
New Dandenong manufacturing and packing facility	650
Farm, logistics, IT equipment and Other	961
Total	14,897

Business Update & Outlook

Turnaround plan

Murray River Organics™

Consolidate. Transform. Grow.

SHAREHOLDER VALUE

GROW

- Expand vertical integration into organic products beyond dried vine fruit (Nangiloc plan)
- Core (branded) product range to prominently feature in multiple export markets
- Market leadership in chosen categories
- Sustainable competitive advantage through brand/quality/service/innovation

TRANSFORM

- Strategic customer engagement and penetration into snacking & convenience
- Increased dried vine fruit production from maturing orchards to drive lower cost
- Exceptional focus on quality, food safety and product traceability
- Technology as an enabler of innovation and customer engagement

CONSOLIDATE

- 'Work' the current business footprint to get the best out of what we've got
- Address 'growing pains'
- Drive supply chain efficiency and urgency
- Undertake core & non-core review of assets and sell non-core assets
- Define role accountabilities and performance expectations for all our key people

Progress to date

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Theme	Key outcomes
People	• Organisational review complete with most senior leadership team appointed • Performance appraisal process scoped and will be launched in H2 FY18 • Reset of behavioural expectations to drive culture of empowerment and accountability
Sales & Market	• Sales/customer segmentation completed • Sales team accountabilities aligned to new structure & segmentation • First pass SKU review completed, developing our core range • Reset of required focus on margin improvement
Operations	• All 2017 dried vine fruit evaluated, processed and packed into finished goods (no WIP) • Farm management plans (pre and post harvest) overhauled for the 2018 season • Reset of benchmarks in farming, processing and packing
Financials	• Review of FY18 financials and forecast completed • Reset of weekly cash, sales and profit reporting process and tracking
Growth	• Vertical integration to underpin our competitive advantage • Initial scoping of development options at Nangiloc farm

FY18 outlook

2018 harvest well underway with post-harvest review to deliver balance sheet flexibility

- Fresh table grape harvest is well advanced
  - Early season white grape yields were strong and overall quality was well received
  - Late season red grape crop timing is late and impacted by colour and sizing issues with harvest to ramp up in the coming week
- Dried vine cutting is almost complete with harvest to ramp up mid-March
  - ‘Normal’ weather conditions over winter has reduced pressure on farming operations team to amend their pre-determined 2018 crop plan
- Evaluation of core/non-core assets expected to result in an orderly sale process
  - Two warehouses in Mildura (as previously communicated)
  - Non-organic farms that have been identified as non-core
  - Review of non-core equipment and assets

Key focus areas

Addressing future challenges via improvements in systems and processes across the supply chain

- Sales effort will be underpinned by customer/market plans, utilising all available data/insights
- Reducing the number of SKU's available for sale will bring greater focus to our core offer
- Updated commercial and pricing models will be used to underpin all future customer/sales proposals – contracted and uncontracted
- Competitive tension will be brought to sourcing and procurement activities to deliver lower COGS as existing contracted supply arrangements are renewed
- Continuous improvement practices in processing and manufacturing will take advantage of new equipment efficiency and a more strategic approach to 3rd party contract packing alliances
- Post-harvest supply chain will 'push' product to finished goods based on better sales planning to avoid unprocessed WIP and inventory risk

Beyond FY18

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Optimisation theme will underpin our competitive advantage and value creation

- Leverage consumer insights to target markets/customers that match our capability
- Brand refresh will kick off a more aggressive approach to new product development
- Export markets offer most significant short-term opportunity to deliver brand equity and market penetration for MRG core product

- Introduce continuous improvement practices to maximise operational efficiency and production equipment utilisation
- Further enhancements to SAP to improve controls and deliver process efficiency

Growth plans will drive shift in strategic focus:

- ***Organic vs Conventional*** – significant increase in organics and products where MRG can gain incremental margins
- ***Vertically integrated vs Sourced*** – vertical integration offers a competitive advantage and we will add other product streams we can vertically integrate
- ***Branded vs Private label*** – brand strategy will focus more on export customer base with private label continuing to play its role in the domestic market
- ***Commodity vs Convenience*** – packing capability offers more opportunity to value add with snacking and convenience packs, shifting away from bulk commodity supply
- ***Domestic sales vs Export sales*** – overseas interest in Australian organic foods to drive strong export demand (US and Asia)

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