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FARMS, OPERATIONS AND GUIDANCE UPDATE

Murray River Organics (ASX: MRG) ("MRG") today provided an update on its farms, operations and guidance for FY20.

The turnaround of MRG farms is progressing with investment and the recruitment of the new farming team. However, the company is experiencing several headwinds; a significant increase in water cost is impacting all growers in the Murray Darling Basin, while ongoing farm remediation at its Colignan, Yatpool and Gol Gol properties will take multiple seasons to complete. There has also been the need for additional investment to address the state of the vines and to bring them back to full health. The tough growing conditions in 2019 also led to additional processing costs for premium clusters. The last of the legacy contracts have also been exited, resulting in some stock and packaging write-offs. Citrus pricing has also been lower than forecast with higher blemish and smaller sizing due to adverse weather conditions in early 2019.

Several strategic initiatives have been initiated including increased product pricing, new partnerships in China through "Taking Sunraysia to Asia" strategy, and the launch of 15 new branded products. This will somewhat offset the 2019 crop shortage and additional farming costs and is expected to deliver improving contributions in future years.

MRG has ongoing water contracts for approximately 70% of its requirements, however the current seasonal determination is 48% due to drought conditions. The remainder of water required is purchased in the spot market as required. Spot prices have increased from $600/ML in July to over $950/ML currently.

The additional impacts of water costs, citrus pricing and delays in some new product launches have resulted in revised guidance for FY20. It is now anticipated that MRG will record an FY20 EBITDA-SL* loss of between $5 million to $8 million compared to the previous guidance of loss between $1 million to $3 million.

MRG Chief Executive Valentina Tripp said "While we anticipated lower water allocations due to the drought conditions, it is only one of several factors impacting water pricing and we welcome the ACCC inquiry into the Murray-Darling Basin tradeable water rights. We are working with other irrigators in the region to ensure equitable access to water to ensure that the fruit bowl of Australia can continue to operate sustainably in the future."

Chairman Andrew Monk added, "MRG's transformation is well underway. We are pleased with the improving performance and contribution from our food business and recognize that the turnaround in our farms will be a slower process as our vines return to good health. The recent weather and lack of water has been disappointing, but as with any agricultural asset, we recognize this is a fundamental risk we must and will continue to mitigate."

The company is continuing to explore capital management and growth options to ensure it is best structured to manage the challenges of agricultural production, to complete the turnaround and realise Murray River Organics' significant potential as a vertically integrated agri-food business.

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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.

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

*EBITDA-SL means Earnings Before Interest, Tax, Depreciation and Impairment, less SGARA (fair value revaluation of Self-Generating and Regenerating Assets (agricultural produce)) and adoption of AASB16 (New Leasing Standard).