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

28 February 2020

31 December 2019 Half Year Update

Murray River Organics Group Limited (ASX: MRG) ("Company") has released its results for the half year ended 31 December 2019 (H1 FY20).

Highlights:

- Midway through an extensive transformation program
- Launch of MRO branded products, with new ranging progressing with major grocery retailers
- First major range of MRO branded product has been accepted by a major Australian retailer. This range is expected to generate $5m to $6m of revenue per annum
- 50%+ sale growth in wholesale and bulk ingredients
- Export revenues up 19% on pcp
- Future annualised cash out-flow reduction of circa $10 million as a result of the exit from Colignan farm lease, but associated one-off asset write downs and costs of $11.7 million impacted the half year result
- Sale process for Fifth Street Vineyard attracting strong interest and discussions on sale of Nangiloc underway
- Entitlement offer for a fully underwritten $25 million offer now closed, with proceeds expected to be received on 4 March 2020 and shares expected to resume trading on 5 March 2020

Over the past 12 months, the Murray River Organics Group ("Group") has embarked on an extensive transformation process to restructure our farms and grow our farmed produce, develop and build our retail brands and improve operating efficiencies in order to deliver long-term value for our shareholders.

In developing our 'organic and better-for-you food business', we have launched the new Murray River Organics (MRO) branding along with multiple new generation high-margin products and terminated many low margin generic lines. We have also expanded our international presence with partnerships in Asia and other key international markets.

On our owned farming assets, we have planted new vines, instigated remediation of existing vineyards, made strategic decisions on varietal changes to suit future demand, and planted our first edible organic hempseed crop.

While the Group achieved significant milestones, its performance was impacted by some unexpected challenges. Extended drought conditions combined with severe weather conditions in Sunraysia impacted our vines and materially increased water prices. Farming costs were also significantly higher than expected.

A critical milestone was reached in the Group's capital management initiatives in late 2019, with the restructure of the relationship with Arrow Funds Management ("Arrow"), owner of the Colignan property. This change is fundamentally transformative for the Group and will result in a reduced cash spend of approximately $10m for the coming year.

These milestones and challenges have led us to refine our strategic position. We will look to continue to leverage our strong brand and customer value proposition with an increasing focus on retail distribution and export growth. We will also seek to de-risk of our business through a non-core asset realisation program and associated debt repayments, while retaining strategically important organic farming operations.

Our core dried vine fruit farms, together with our broader supply chain capability, allow us to provide customers with a vertically integrated, scalable model with security of supply and high-quality standards. We believe this competitive advantage will help us become a major player in organic and 'better for-you' food both domestically and internationally.

$'000	H1 FY20	H1 FY19	Change
Revenue	24,814	30,251	(5,437)
Underlying EBITDA-SL(i) (ii) (loss)	(4,340)	(1,299)	(3,041)
Reported loss after tax	(23,284)	(4,608)	(18,676)

(i) EBITDA-SL means Earnings Before Interest, Tax, Depreciation and Impairment ("EBITDA") and fair value revaluation of Self-Generating and Regenerating Assets (agricultural produce) ("SGARA") and excluding the impact of the new leasing standard (AASB 16 Leases)

(ii) Normalised for one-off items

Key features of the H1 FY20 trading performance:

- Revenue for the current half-year of $24.814 million was $5.437 million down compared to the previous corresponding period as a result of the continued program of exiting from legacy low margin contracts to retail customers and the change to the citrus distribution arrangements which saw citrus gross sales decrease.

- Over the course of 2019, the Group's focus was building an organic and 'better-for-you' retail portfolio. Several products were accepted and launched in the Australian retail market in January and February 2020. These are expected to generate between $3M to $4M per annum.

- On 27 February 2020, eight additional new products have been accepted by a major Australian retailer. This is a major win for our branded product business and is anticipated to generate between $5M and $6M revenue per annum. The products are expected to be on shelf from 1 June 2020.

*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).

- The Wholesale & Ingredients business has developed strong partnerships with leading Australian brands and is growing supply across a range of organic categories and leverages the Group's existing supply and processing capabilities to a broader market. During the current half-year, sales to bulk retailer, and wholesale and ingredient customers increased 46% and 86% respectively, following last year's rebuild of the sales and procurement teams.

- Export sales of $4.369 million grew 19% compared to the previous corresponding period, on the back of the Group's export growth program - "Taking Sunraysia To Asia", which has enabled the launch of new products, platforms (including WeChat) and activation programs to support brand growth and consumer engagement in Asia.

- Underlying EBITDA loss excluding SGARA and excluding the impact of the new lease standard (AASB 16 *Leases*) was $4.340 million, $3.041 million below the corresponding half-year period mainly due to:
    - Exit of high-volume low margin product sales that were highly commoditised and exit of small production run volumes that were inefficient to manufacture and an impost on working capital.
    - Increased farming costs for dried vine fruit and lower 2019 crop volume due to the challenging growing conditions, which resulted in an increase cost per tonne to produce, which was partly recovered via price increases.
    - Increased promotional activities to drive the MRO retail brand domestically and in overseas markets.
    - Increased manufacturing costs due to the poor quality of clusters from 2019 harvest which required additional labour and rework.
    - Write-off of excess packaging and material resulting from the exit of legacy contracts.

- The net loss after tax of the Group for the half-year was $23.284 million which included loss on exit of the Colignan lease and other one-off items totaling $12.415 million as detailed in the 31 December 2019 interim financial report.

Outlook:

The foundations are now in place to build a leading organic and better-for-you business, with continued strong demand for organic and better-for-you products.

The sale process for Fifth Street Vineyard has commenced with strong interest through an expression of interest process conducted by Duncan McCulloch at Colliers. Discussions regarding a sale of Nangiloc are also underway with various strategic parties.

The fully underwritten $25 million entitlement offer has now closed, with the proceeds expected to be received on 4 March 2020. The proceeds of the offer, together with the proposed non-core asset sales are expected to allow the Company to fund its operating plan and growth strategy and significantly reduce debt levels including meet its debt repayment obligations. The Company expects that the

*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).

voluntary suspension of trading in the Company's shares will end, and trading will resume, on 5 March 2020 following completion of the offer.

We are actively monitoring the situation in China and its wider impact and are currently shipping some product to China and north Asia, although there have been delays in February and March orders. We are working collaboratively with our Chinese and other Asian customers and will inform the market of any material developments. As Asia has slowed, we have refocused our export attention to Europe and the US and are making early progress.

While Asia has slowed during this time, MRG's risk profile is spread across diverse and multiple markets internationally and domestically, ensuring access to a range of market growth options through the coming year.

For further information:

Helen McCombie
Citadel Magnus
P: +61 411 756 248
E: hmccombie@citadelmagnus.com

Valentina Tripp
Chief Executive Officer & Managing Director
P: +61 414 550 337
E: vtripp@murrayriverorganics.com.au

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).