Annual Report 2020

Murray River Organics™

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Chairman's Review

Dear shareholder,

Welcome to Murray River Organics Group Limited's ("the Group", "MRG", "MRO", "the Company") 2020 Annual Report, reporting on the second year of our turnaround.

We have delivered transformative and essential restructuring of the Company, along with making the necessary investment decisions. This has seen us pivot to being a high margin, branded products company with a more focused and productive vertical supply chain in dried vine fruit. These changes will deliver a lower risk, better resourced farming footprint, coupled with a higher margin food business. Our new brands have seen us branch into attractive and growing categories with in-demand products for which we either vertically control or have a strategic advantage.

The year was not without challenges and included an extended drought, extreme summer and water pricing that severely affected the profitability of our farms. Furthermore, the COVID-19 pandemic affected us on multiple levels across the business. During all this, MRG has continued to progress an extensive transformation process to restructure and grow our farmed produce, develop and build our retail brands with improved operating efficiencies, and build upon our strategic supply chain advantages.

More than a year of work has been invested into the launch of the new Murray River Organics (MRO) branding. Multiple new generation high-margin products are now appearing on shelves across Australia, in parallel with expansion of our international presence with high value retail partnerships. We invite shareholders to search for and purchase this expanding range of products now appearing in all major retailers across Australia, with much more to come.

In what was a tough horticultural production environment, farm performance did not meet turnaround targets, with challenges being felt across the entire dried vine fruit sector. A review of our farming operations led to a critical change in 2019. The successful exit from the long-term lease of the Colignan property and reassessment of our farming footprint saw a change in future emphasis towards our expertise and success in organic production.

These structural changes were part of eliminating farming legacy issues, and other inherited challenges outlined in the report of our Managing Director. The Company raised $25 million in March 2020 to progress the transformation journey while meeting and reducing our debt obligations. The funds raised, in conjunction with the proposed sale of non-core farming assets, enabled the restructuring and resizing of the existing debt facility, while providing capital to execute on the Company's refined turnaround strategy. Under our amended banking facilities, the debt facility will be permanently reduced to $40 million (from $50 million) by 30 June 2021. The Company intends to further reduce debt through future asset sales with those initiatives being well progressed.

These milestones frame our strategic focus going forward. We will continue leveraging our strong brand and customer value proposition with increasing focus on retail distribution and export growth while de-risking our business through our asset realisation program. The opportunities to realise the value of the green fields Nangiloc property, along with reducing the Company's debt will provide a greater focus and enhanced capacity to invest in our own organic farms and high-margin branded product development for our 'organic and better-for-you' food business.

We have welcomed new Directors to the Board, Naseema Sparks, Stuart McNab and Paul McDonald with valuable backgrounds in brand development, Agri-sector and FMCG audit and large-scale viticulture, following the resignations of Keith Mentiplay, Michael Porter and Tony Dynon. We thank each of the outgoing Directors for their contribution and service to overseeing a particularly demanding and challenging transition time for the Company. We also welcome Birol Akdogan as incoming CFO and Company Secretary, beginning this September.

While the year has had its setbacks, we are well progressed on resetting and right sizing the Company to build longer term value creation with a clear and realisable path to earnings growth.

On behalf of the Board and the MRG team, I wish to acknowledge and thank our supporting shareholders through this challenging year of transformation, as we now grow into the new food and brands company we have strategically positioned to become.

Andrew Monk
Chairman

Managing Director's Report

"Our journey to transform into a strong integrated food business in what has been an eventful year is gaining momentum."

I am immensely proud of the efforts of our people in our journey to transform MRG into a strong integrated food business, notwithstanding significant global uncertainty brought on by the COVID-19 pandemic.

We have emerged as a stronger, purpose driven business in the high growth organics market with the launch of our new strategy and executed several major achievements during the year. We are proud and excited to see our expanding range of MRO branded products on Australian supermarket shelves sitting beside well-known global leaders. We are also delighted to see our export retail branded offering grow and strengthen, despite the global uncertainties.

The growing demand for healthy, ethical, and clean food is gaining momentum as consumers rethink their food choices and the impact it has on their health, their families, and the planet. The global pandemic has brought with it a range of operational challenges and opportunities to showcase the value of organics to our community and food eco-system. Our achievements and challenges were plenty, our operating capability, resilience and customer and market support ensured we were able to continue our transformational journey. As a values-based business, we remain optimistic that our new range of products will appeal to a broad cross section of society and we look forward to a stronger financial outcome as a result.

Rapid Response to COVID-19

We are proud of the efforts of our people and their response to our changed operating environment. Our key initiatives in dealing with this unprecedented crisis are detailed below.

- Our focus on the health and wellbeing of our staff and communities is paramount. Our operational response was rapid, with strict measures to safeguard health and wellbeing as well as site operations.
- As an essential service, providing food for our grocery retail industry, we introduced site lockdown in March and deployed all non-essential teams seamlessly into a remote work environment.
- Our ongoing active risk management approach to manage uncertainties has ensured we are prepared for the challenges ahead.
- Our operational resilience and can-do culture, whilst it has been tested during this extended lockdown in Victoria, is strong and growing. Our focus is steadfast on executing our strategy, completing our asset sales, reducing our debt and leverage.

FY20 Highlights

Established our collaborative partnerships with Coles, Woolworths and Metcash, gaining support to launch over 37 branded new products into mainstream retail. These have resulted in **an increase in our retail branded gross sales by approximately 28%**

Built a world class global sourcing capability and ingredients business which grew by approximately 50% in FY20, despite major global supply chain disruptions during March to June 2020

Introduced MRO's new branded product range across Greater China and South East Asia to over 2,100 stores

Completed a $25 million capital raise in March 2020 and re-negotiated our banking facility securing the capital required to execute our refined turnaround and growth strategy

Restructured our farm portfolio exiting the Colignan lease, **saving an annualised $10m in cash outflows** re-focusing on our core organic farms and exiting non-core conventional farms/crops

Financial Performance

Our business was significantly impacted by COVID-19 in the second half of the financial year.

Our sales revenue at $48.3m was $11.7m lower than prior year, primarily due to the reduction of lower margin annual private label contracts and the COVID-19 driven slowdown in Exports as countries restricted and closed borders for trade. Export sales were particularly affected by export markets for fresh table grapes closing for large parts of the second half. In addition, supply-side disruptions significantly affected our imported goods and packaging sourcing activities. These in turn also adversely affected our domestic sales. The above factors are described in further detail below.

National Retail

Whilst our National Retail gross revenues fell $12.4m or 30%, annual private label contracts were reduced by more than $13.5m which were predominantly non-organic (conventional) products, low margin and highly price sensitive. Gross sales of our Murray River Organics (MRO) branded retail range was up by 28% in FY20 on the prior year, with the launch of the MRO branded range nationally. Our new strategy for National Retail was launched twelve months ago and is seeing us transform our portfolio from a predominantly private label offering to an innovative purpose-driven branded manufacturer. We are now bringing a diverse range of organic products to all consumers. We believe everyone deserves clean, sustainable, ethical, and organic food and we are on a mission to "organify" and transform categories in Australian grocery retailing. Over the last year we achieved many milestones and most critically we built strong relationships with Coles, Woolworths and Metcash to support our vision. These partnerships have resulted in the following launches;

- MRO branded coconut and avocado oils in Woolworths (March 2020).
- MRO branded range of organic mueslis nationally in Coles (June 2020).
- MRO branded pantry essentials range in Metcash and IGA independent retail network (August 2020).
- The first major range of organics panned vegan, dairy-free, chocolate snacks within the confectionery aisles of Woolworths, Australia's largest supermarket retailer. (September 2020).

We will continue to strive to make organics affordable and accessible across all our supermarket categories, leading our industry with a new sustainable food system to protect our health, our communities, and our planet. Because consumers need it and they deserve better.

Export

At the half year, our Exports were up 19% and tracking for a record year. Unfortunately, the COVID-19 shutdown adversely affected many of our export markets. Notwithstanding this setback, we still grew by 3% on the previous year. The shutdown saw us focus on building our e-commerce capability and ensured that we were ready in June 2020 to launch our own Tmall[1] store and "direct to consumer model" as part of the 618 Shopping Festival in China. This coincided with the recommencement of our export program into China.

Despite these challenges our branded retail value-added exports to China increased by 139% for the year. Our products are now available across more than 1,800 stores across China as well as a range of ecommerce sites.

With Dried Vine Fruit ("DVF") supply constrained, our export portfolio is expanding into new categories with the launch of our Murray River Wholefoods (MRW) snacking range including Australian Almonds, Australian Macadamias, and chocolate coated Australian Sultanas. The premium snacking segments in our key export markets continue to grow at double digit growth rates.

The reduction in USA DVF pricing after two record years, saw our bulk exports to the USA impacted, which saw our entry into European markets (primarily Germany and Italy). Overall, it was a solid performance under difficult circumstances, and we have a strong growth pipeline ahead as we seek to continue to grow this important segment.

1 Tmall is a Chinese-language website for business-to-consumer retail sales.

Wholesale & Ingredients

Our Wholesale & Ingredients business had a strong year with sales up 53% on last year, despite global supply chain disruptions. The launch of this business has been a critical enabler to our Retail program, providing scale for our sourcing teams whilst also enabling our greater vision to mainstream organics in Australia. Working with leading Australian manufacturers to supply the organic ingredients they need to organify their ranges for our Australian consumers.

Fresh Fruit

Overall our revenues for Fresh reduced by 12% on the previous year mainly impacted by reduced citrus from the exit of Colignan and the challenging table grape season.

Our table grape yield increased on the prior year to 1,021 tonnes, primarily due to the new farm leadership team, improved nutrition, irrigation, and overall operational management. Our primary market for table grapes was China which was impacted by COVID-19 significantly reducing the pricing throughout the season.

Our wine grape harvest at the Nangiloc property successfully achieved a 40% increase in yield when compared to last year, with a total harvest of 1,223 tonnes. Market pricing was strong with the average price per tonne higher than last season.

Farming

FY20 saw us complete a major restructure of our farming portfolio. This occurred against a backdrop of significant farm-based net cash outflows as this part of our business continued to experience difficult weather-based events. An extended drought combined with high water pricing during 2019 and reduced water allocations saw our crop yields fall significantly this year. Furthermore, unseasonal wet weather that occurred during the drying season saw poor crop outcomes affecting the colour and grading of the DVF.

During December, we successfully exited the leased Colignan property. We had determined that the planned turnaround of the property would require extensive additional funds and resources, estimated at over $10m net cash deficit per annum to meet the required yields. This transformative agreement allowed us to avoid this outflow and enabled us to complete the capital raise and accelerate our organic growth plans whilst committing to a reduction in our banking facilities in FY21.

Farming costs increased 32%, (excluding Colignan) which was primarily driven by higher water costs. Further, we completed a more detailed review of our Yatpool and Gol Gol assets which were impacted not only by the drought and weather events, but also historical poor farming practices in the areas of nutrition, grafting and vine/crop management. We have made several operational changes targeting poor performing patches, turning off fresh varieties with limited commercial market potential and full reviews of irrigation systems and upgrade requirements. This has resulted in a significant reduction in cash outflows for FY21 as we further rationalise poor performing farming assets and earmark them for future re-development.

Our organic vineyards are better placed for an improved crop in the 2021 growth season as improved vine nutrition and irrigation practices implemented earlier in the season have delivered increased canopy and cane growth. Project Lift was initiated in late 2019 to focus on the re-development potential of the existing core-farms portfolio which will be funded in future years from positive operating earnings. We have identified opportunities at Yatpool and Gol Gol for re-planting utilising existing infrastructure and teams, and further expansion utilising vacant land at these properties.

Asset Sales

Our asset sale strategy is well underway with Fifth Street attracting significant interest since listing with Colliers International in February. The impact of COVID-19 has delayed the process, however we have shortlisted parties and are now in the final stages of the sale process.

Project Magnum

Our feasibility scoping study was initiated in early calendar 2019 to create a vision for the future of Nangiloc, our 2,300-ha arable organic accredited property. The opportunity to extend organic farming into a range of crops at Nangiloc was examined and a short list of crops which could be potentially planted has been developed, which are summarised below:

Phase 1 – Annual Crops under Pivot Irrigation (“Pivot”)[2]

- A pilot program to grow low-THC cannabis hemp, commenced in October 2019 under the existing Pivot. Our Hemp crop and harvest at the Nangiloc farm was successful with approximately 21 tonnes of high-quality seeds harvested. This first successful trial crop is evidence that an organic hemp crop of scale can be grown in the Sunraysia region. We also explored further value adding opportunities available to the remaining hemp stalks and were delighted to sell these to a local Australian company specialising in innovative building materials.
- Our plan for next April is to sow our first organic oats crop under pivot irrigation to be used in our Organic Muesli. Our organic oats are currently sourced internationally, mainly from Finland, and whilst Finland’s organic oat crops are world class, we are keen to have own-grown Australian Organic oats for this range.

Phase 2 – Long-Term Development Plan

- The long-term development study is currently underway to determine the most profitable and commercially viable combination of crops to plant at Nangiloc. The feasibility study identified dried vine, almonds, dates and pistachios as crops that would be commercially viable and aligned to MRO’s growth strategy at Nangiloc.
- Ensuring long term security of access to economically priced water is the focus of the next phase of development. The project team is reviewing alternative water access solutions including a potential localised water desalination plant. This solution involves accessing ground water and reducing salinity to make the water suitable for irrigation at economically viable rates. The scoping study is now undertaking further financial, technical analysis and regulatory approvals before potentially proceeding to the next stage. This project, if successfully implemented, would transform the farming potential of the Nangiloc land.

National Operations

During FY20 the operations at our Dandenong and Mourquong sites have undergone significant changes and improvements in manufacturing and supply chain.

Safety improvements have been implemented at both sites with the Dandenong site exceeding 700 days without a lost time injury. Business planning capability has been enhanced and Sales and Operations Planning has been rolled out across the business delivering greater clarity of the longer-term strategic demand and supply requirements.

At our Dandenong operation, the storage of finished goods, materials and packaging was moved from an inhouse managed warehouse to a third-party logistics provider leading to a more streamlined supply chain. Cost reductions and inventory management improvements have been achieved through this transition which led to reduced headcount, elimination of lease costs and closer integration of storage and transportation processes. Packing line improvements have facilitated faster production speeds and AQS[3] capable equipment has been installed on several

lines improving product recoveries. Key investments in maintenance and capex spend have enabled asset performance to be maintained at a high level with minimal disruption to production through breakdown or slow running; plant availability remains at greater than 98%.

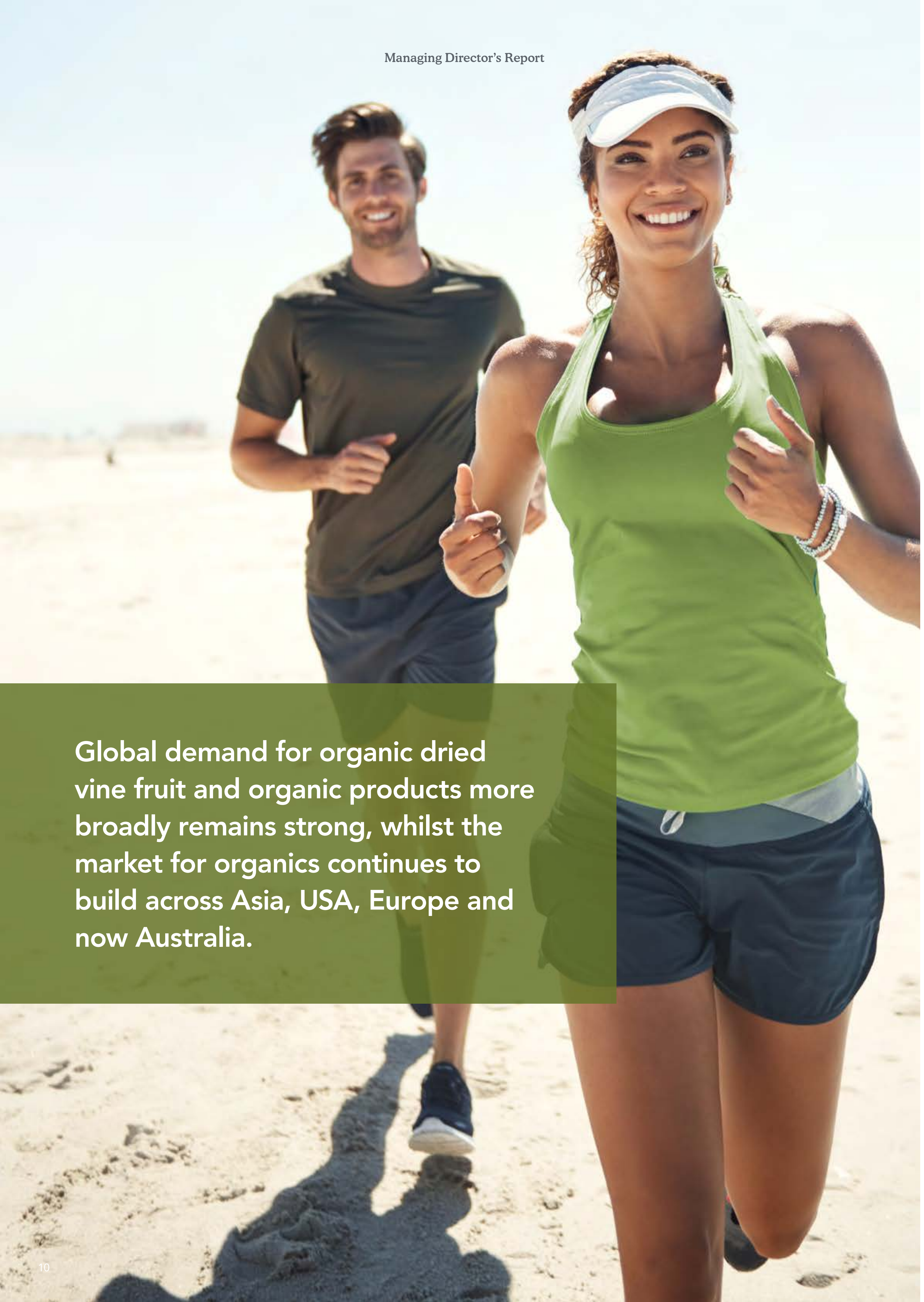
Innovation has been a major focus in the Dandenong facility with the development and delivery of many new product ranges; the plant is extremely flexible and supports the speed to market capability which is a significant strength of the business. The plant has an energetic can-do culture that embraces innovation to provide very clever and creative solutions to the new product offerings being developed.

Our Mourquong facility has been upgraded in several areas with a focus on key asset performance in safety, quality and efficiency. Consistently high throughput for the plant was achieved on many occasions showcasing the capability of the processing line. A difficult growing season has led to some processing challenges for the team. The major dehydration line was recommissioned and returned to running condition giving the operation the ability to cope with future weather events. The operations team has coped well with the COVID-19 pandemic, rapidly implementing structural changes and personnel protection to ensure the continued production at all sites. Compliance to all directives has been enforced and personnel have upheld the standards necessary to get through this difficult period without disruption.

2 Pivot irrigation is a method of crop irrigation in which equipment rotates around a pivot and crops are watered with sprinklers.

3 The Average Quantity System (AQS) is an internationally agreed method of determining the size or quantity of pre-packed articles with a ‘constant nominal content’. This means it provides confirmation of the measurement or quantity of goods in the package, being sold by measure (weight, volume, length, area or number).

In 2020 our organic hemp seeds were planted across our 32-hectare trial site in Nangiloc making it Australia’s largest edible hemp crop.



Global demand for organic dried vine fruit and organic products more broadly remains strong, whilst the market for organics continues to build across Asia, USA, Europe and now Australia.

Strategy Update

As a result of the challenges and agricultural risks which materialised throughout 2019, we made the critical strategic decision to reduce exposure from non-core farming assets in our portfolio and accelerate investment in marketing, branding and new product development to grow our share of the growing market for organic products in Australia and internationally.

We completed the $25 million capital raising in March 2020 and re-negotiation of our banking facility to provide the required capital to enable us to progress our transformation and growth journey.

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We are well progressed on our plan and are:

1. rationalising our non-core conventional assets and reducing debt;
2. investing in marketing, branding and new product development to expand our domestic Retail and Ingredients businesses;
3. leveraging our core offering of organic dried vine fruit to target high value export markets; and
4. continuing to invest in the turnaround of strategically important farms.

Outlook

Our journey to transform into a strong integrated food business in what has been an eventful year is gaining momentum. Our consumers are now more aware than ever of their health and wellness. The demand for clean, sustainable, healthy organic products is on the rise with the global pandemic further accelerating this growth.

Global demand for organic dried vine fruit and organic products more broadly remains strong, whilst the market for organics continues to build across Asia, USA, Europe and now Australia. With accelerated investment in marketing, branding and product development we are growing the market and building our share of organic products in Australia and internationally.

We continue to be grateful for the ongoing belief and backing of our shareholders to transform the business and achieve our goal of becoming a major player in organic and 'better for-you' food both domestically and internationally.

Valentina Tripp
Managing Director

Our Vision

To be a leader in organic and better-for-you brands and ingredients.

Our Purpose

To make organic and better-for-you products, by farming and sourcing world class ingredients because we believe that everybody deserves sustainable and clean foods.

Our Beliefs

We choose organic.

We vote for the world we want with the choices we make, we choose organic. We believe everybody has the right to access healthy and tasty, nutritious, clean food. Better for you and the planet.

We think size matters.

Being big isn't necessarily a bad thing. Bigger means we can make a better impact. As Australia's largest producer of organic fruit we endeavour to use our size and scale for good.

We put nature first.

We believe nature has the power to provide. We endeavour to work with her not against. By harnessing her power we are able to keep our environmental footprint small and our ingredient lists clean.

Our door is always open.

We have nothing to hide. Being organic ensures we can guarantee quality and traceability at every point of our vertically integrated ecosystem, offering our customers assurance that the highest environmental and organic standards are consistently met.

We innovate to regenerate.

We are constantly striving to do better by people and planet. Innovation is driven to improve taste, nutrition and the natural environment helping us move towards a sustainable future for everyone.

We are stronger together.

We strive to understand the land where each of our products are grown. Working with our farmers and growers to champion the organic movement. Global or local we are stronger together, come join us.

Our Strategy

Our strategic pillars become our transformation roadmap to become a truly iconic and peerless Australian organic agri-food company. These strategies will drive the company performance over the next 5 years and will be achieved through a set of key initiatives.

Leverage our agricultural footprint & flexible processing capabilities	Leverage our vertical integration & utilise existing farming assets fully Ultimately extend footprint through collaboration & partnerships
Build a global organic & better-for-you ingredients business	Expand our global supply chain for organic ingredients Create an ecosystem which promotes the development of organic supply
Develop market leading, purpose-driven organic brands with exceptional product innovation	Become the go-to organic brand Deliver leading customer & consumer experience Create leading organic product innovation
Disrupt the food market via strong relationships with customers & leading edge thinking	Organify & transform whole retail categories in the Australian & international markets Partner with retailers & distributers to drive the organic markets
Drive process excellence to develop best-in-class operating model	Invest in technology & processes which improve the quality of products, our efficiency and ability to supply

Directors' Report

The Directors of Murray River Organics Group Limited (the "Company") and its controlled subsidiaries (the "Group", "MRG" or "Murray River Organics") submit herewith the annual financial report of the Company for the year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Andrew Monk

Non-Executive Independent Chairman
BSc, PhD, GAICD

Andrew has owned and/or managed organic SMEs in horticulture, food processing and waste management. He also has extensive technical experience in organic regulations and intimate working knowledge of this multi-sector industry domestically and internationally. Past Chairman of organic industry group Australian Organic Ltd, a not for profit industry services group with over 2,000 organic businesses. Chairman of Australian renewable energy company Enervest Pty Ltd and Chairman of pharmaceutical sector company Xerion Ltd.

Appointed Director and Chairperson on 24 January 2018.
Appointed Chairperson of the Audit and Risk Committee on 11 June 2018 and resigned on 18 March 2019, remaining a member of the Audit and Risk Committee.
Member of Audit and Risk Committee.

Valentina Tripp

CEO and Managing Director
Bachelor of Commerce (Melb), MBA, CPA, AICD

Valentina has over 25 years executive, professional services and non-executive experience in FMCG, agribusiness and retail across Asia and global markets; previously as Executive Director, Business Transformation & Corporate Development for Simplot Australia and Executive Director for the Top Cut Foods Group (owned by JR Simplot USA). Prior to Simplot, Valentina was Senior Director with KPMG leading transformation, strategy, customer growth, supply chain, operational and financial turnarounds and was the Management Consulting National Lead for the Consumer & Industrial Sector and lead the national food industry policy, competitiveness and growth agenda.

Valentina is a Non-Executive Director for the Marine Stewardship Council International Board (UK), Board Member Dried Fruits Australia and former Non-Executive Director Capilano Honey Limited (ASX listed), Non-Executive Chair of Fairtrade Australia & New Zealand and Non-Executive Director of Fairtrade International (Bonn, Germany).

Appointed Managing Director and Chief Executive Officer on 16 April 2018.

Paul McDonald

Non-Executive Independent Director
B.Comm, MBA, GAICD, FCANZ

Paul brings to MRG extensive global experience in agri-business, FMCG and manufacturing. Paul previously led KPMG Australia's national agribusiness sector, where he was a Partner for 24 years, including five years as Partner-in-Charge of the Melbourne audit practice. Paul also served as Chairman of KPMG's Audit Committee Institute and as member of the National Executive of the Group of 100. Paul holds a B.Comm and an MBA from Melbourne Business School, is a graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountant in Australia and New Zealand.

Appointed Director on 22 May 2020.
Appointed Chairperson of the Audit and Risk Committee on 22 May 2020.

Dr Stuart McNab

Non-Executive Independent Director
B.Ag.Sci, PhD

Stuart brings to MRG a distinguished and extensive background in viticulture, horticulture and in FMCG food & beverage sectors with senior executive roles in ASX listed companies. Stuart previously service as Chief Supply Officer for Treasury Wines (ASX:TWE). Stuart holds a B.Ag Sci (Hons) and a PhD in Agricultural Science from the University of Melbourne. Stuart previously was contracted in a consultative and then executive capacity overviewing MRG's farm operations and brings an intimate understanding of the farms portfolio, and the strategic opportunities that MRG has available to it with its extensive land bank, its vertically integrated dried vine fruit operations, and its diversified farm holdings across 11 properties in the Sunraysia region.

Appointed Director on 15 May 2020.
Member of the Audit and Risk Committee.
Member of Remuneration and Nomination Committee.

Naseema Sparks AM

Non-Executive Independent Director
MBA, FAICD

Naseema is an experienced director with expertise across a range of industries, especially organisations with strong and growing B2B and B2C products and services. Her expertise includes business strategy, marketing strategy, branding, consumer segmentation, data driven marketing and media. Naseema currently serves on the board of ASX-listed wine company, Australian Vintage Ltd, which gives her a strong experience in the agriculture sector and transitioning from wholesale production to a branded products strategy. Naseema also serves on the Boards of transformation and disruptor companies, including those operating in rapid growth environment. She also has experience with businesses facing market and competitive pressures where significant operational transformation and product diversification is required to restore profitability and growth. Naseema has previously served as Managing Director and Global Partner of communications company M&C Saatchi. Naseema's directorships include Chair of Homart Pharmaceuticals, Director of Knight Frank Australia, AIG Australia Ltd and Chair of Sydney Living Museums. In the past three years, Naseema was a Director of the National Australia Day Council, Biennale of Sydney, ARQ Group (now Web Central) (ASX listed) and IncentiaPay (ASX listed).

Appointed Director on 9 June 2020.
Appointed Member of the Audit and Risk Committee on 25 June 2020.

Company Secretary

Ms Carlie Hodges is a lawyer with Coghlan Duffy & Co, who is experienced in corporate and commercial law, property law and mergers and acquisitions. Ms Hodges was appointed the secretary of the Group on 14 May 2018.

The following Directors held office during the financial year until their resignation: Keith Mentiplay, Michael Porter, Tony Dynon.

Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

Directors	Directors' Meetings	Remuneration and Nomination Committee	Audit and Risk Committee			
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Andrew Monk	30	30	-	-	3	3
Keith Mentiplay	18	18	-	-	1	1
Michael Porter	29	29	-	-	2	2
Tony Dynon	27	24	-	-	2	2
Valentina Tripp	30	29	-	-	-	-
Naseema Sparks	1	1	-	-	-	-
Stuart McNab	3	3	-	-	-	-
Paul McDonald	3	3	-	-	1	1

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Name	Fully paid ordinary shares number	Share options number	Performance rights number
Andrew Monk	3,535,333	1,000,000	-
Naseema Sparks	-	-	-
Paul McDonald	-	-	-
Stuart McNab	-	-	-
Valentina Tripp	2,700,000	18,000,000	2,325,451

Principal activities

The Group is an Australian producer, manufacturer, marketer, and seller of certified organic, natural and better-for-you food products.

Company Overview

The Group is a leading Australian grower, processor, manufacturer and seller of organic, natural and better-for-you food products. Our aim is to make organic, healthy and sustainable food choices a reality for our consumers in Australia and around the world. The Group's portfolio of products includes home grown and sourced certified organic and conventionally grown dried vine fruit, nuts, dried fruit, seeds, berries, grains, coconut and other ingredients. MRG is Australia's largest vertically integrated producer in its core product offering of organic dried vine fruits.

The Group began in 2010 on a single 28-hectare farm in Merbein, Victoria. Murray River Organics owns core vineyards for the production of conventional and certified organic dried vine fruit, wine grapes, and citrus plantations (Core Farms). The Core Farms includes 356 hectares of planted dried vine fruit and 143 hectares available for planting, 21 hectares of wine grapes and 30 hectares of citrus. The Group also owns 3,159 hectares of non-core farms, with 207 hectares planted (comprising citrus, wine grapes, table grapes and hemp), 2,305 hectares of vacant plantable land and 647 hectares of unplantable land (Non-Core Farms). All the properties are located in the Sunraysia region of Australia.

The Group operates two certified organic processing facilities. In Mourquong, New South Wales, which is centrally located to its vineyards, dried fruit is graded, dehydrated, processed, packaged and distributed to export customers. At the Dandenong, Victoria facility, further value-add processing and packing is undertaken.

The Group's sales channels include;

- national retail (supermarkets and specialty retail outlets under Murray River Organics and also private label),
- wholesale and industrial (bulk product to wholesalers providing supply to other third parties including retailers) and customers who use dried vine fruit in their products (for example bakery products, cereal products, confectionery),
- export to a variety of export channels across Asia, the US and Europe,
- and fresh fruit (citrus, wine grape and table grapes to processors and wine makers).

Murray River Organics' products target the rising consumer demand for natural, healthy and organic foods in Australia and internationally.

Review of operations

The Managing Director's Report on the operations forms part of this Directors' Report.

Over the past 18 months, the Group has embarked on an extensive transformation process to restructure 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. The Group achieved significant milestones while also experiencing some unexpected challenges.

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 reduced reliance on annual private label contracts. We have also expanded our international presence with partnerships in Asia, Europe and other key international markets.

On our owned farming assets, we continued to remediate existing vineyards, made strategic decisions on varietal changes, and planted our first edible organic hempseed crop.

FY20 has not been without its challenges, many of which have been felt across the entire agri-sector. Extended drought conditions combined with severe weather conditions in Sunraysia impacted our vines and materially increased water prices. This was followed by rain events in March and April during the harvest period further impacting crop quality, yields, and increasing farm costs.

A critical milestone was reached in the Group's capital management initiatives in December, with the successful renegotiation of our agreement with Arrow Funds Management ("Arrow"), the owner of the Colignan property. This change is fundamentally transformative for the Group and has resulted in a significantly lower cash outflow.

In March 2020, the Company completed a 3.843 for 1 accelerated renounceable entitlement offer raising approximately $22.039 million after transaction costs. This capital raise has enabled the company to restructure and right-size the existing debt facility while providing capital to execute the Company's branded food and growth strategy.

These milestones and challenges have led us to refine our strategic position and focus on growing our branded product range in retail and export whilst increasing the scale of our ingredients business. We will continue to reduce our debt and de-risk our business through asset realisation programs, whilst retaining strategically important organic farming operations.

Farming challenges

Improving the performance of the farms was one of the key parts of the 2018 Turnaround Strategy. The following challenges were faced across the 2019 and 2020 farming seasons:

1. Drought conditions and the increased cost of water;
2. Crop shortfall and lower than anticipated farm yields from 2019 coupled with higher than anticipated operational costs at the Group's owned farms; and
3. Significantly higher operational costs and underperformance at the Colignan Farm, which lead to the Group's exit from this property lease

A summary of each of these challenges and the impact on the Group's performance against the 2018 Turnaround Strategy is provided below.

Drought conditions and the increased cost of water

During the 2019 calendar year, Sunraysia experienced significant adverse weather with extreme heat affecting the 2019 harvest period. This negatively impacted farm yields and increased the external water requirements. Over the same period, the spot price of water increased to over $900ML by November 2019 (compared to $405ML in November 2018). Unseasonal hot weather in December 2019 and January 2020 further reduced yields both from the Group's owned farms and third-party growers.

While the Group has water leases providing entitlements to water, the water authority makes seasonal determinations over the course of the year, having regard to, amongst other factors, water levels and the reliability level of the relevant entitlement held by a holder. Depending on these factors, the determination may result in a reduction in the amount of water available to holders of water entitlements (typically a percentage of the entitlement volume). In light of the drought conditions, the seasonal determinations resulted in a reduction of water allocations made available to water entitlement holders, including Murray River Organics. This resulted in the Group having to acquire additional water on market at spot prices.

The requirement to buy spot water as a result of drought conditions, extreme heat over the summer and the reduced water allocations led to a material increase in cash outflow to fund farm operations. In addition, these factors adversely impacted yields.

Yatpool Vineyard

Farm yields and operating costs at core farms

Crop performance over the initial phase of the 2018 Turnaround Strategy from the MRG owned farms was below expectations. This historical underperformance also impacted the FY2019 harvest performance (which was further impacted by heat and drought). In early FY2019, management initiated an extensive analysis to understand the root causes of the underperformance, with the analysis identifying the following factors:

- 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.

Further, additional costs to operate the Group's farm portfolio were also required to remediate existing vines given the worse than anticipated health of some vineyards that became apparent after the 2019 summer cycle. These costs also included additional contract seasonal labour to address the poor state of the farms, which had been under resourced for many seasons.

Restructure and exit of Colignan Property

The additional costs and challenging environment in Sunraysia led management to conduct a detailed structural review of the Group's farm portfolio. The results indicated that the planned turnaround of the then-leased Colignan property would require extensive additional resources and would take more time to implement than initially anticipated to meet targeted yields (and associated economic returns).

On 11 December 2019, the Group announced that it had negotiated an exit from the Colignan lease and established a three-year supply relationship with the landlord, Arrow. As a result of this exit, the Group expects to realise significant cash cost reductions (including rent and exposure to spot water costs). Arrow, through their subsidiary Advinco Farms, assumed operational and financial responsibility of the Colignan property from 11 December 2019. As part of the terms of the exit, the Group agreed to pay surrender fees of $1.325 million and also issue Arrow shares equating to 5% of the issued share capital of the Company (post the completion of the March 2020 capital raise) . This was in return for Arrow agreeing to terminate the lease.

The Group recorded a $11.739 million loss on the disposal of the Colignan property under lease as a result of this restructure.

This restructured relationship, in line with the updated strategy, will allow the Group to focus on its core farms (comprising Gol Gol, Yatpool and Merbein), whilst producing predominantly dried vine fruit to support the Group's offering of organic and conventional dried vine fruit value added products.

Farm harvest 2020

The 2020 harvest was impacted by the heat events of the 2019/2020 summer and then rain events during March – May of 2020, which corresponded to the dried vine harvest. Furthermore, pricing for certain fresh fruit markets were adversely impacted by the COVID-19 Pandemic.

Fresh Table Grape Harvest

Despite the difficult environmental conditions, the fresh table grape harvest was completed with a significant improvement in yields totalling 1,021 tonnes, 18% higher than last year. This was primarily due to the new farm leadership team, improved nutrition, irrigation, and overall operational management and supports our past strategic direction. Unfortunately our sales to China experienced lower pricing, as significantly higher volumes were routed to China from competitors as COVID-19 related closures affected other table grape markets in South East Asia.

Our Nangiloc property successfully achieved a 40% increase in yield in our Wine grapes when compared to last year, with a total harvest 1,223 tonnes. Unlike table grapes, market pricing was strong with the average price per tonne being higher than last season.

Dried Vine Fruit

Our dried vine harvest yielded 651 tonnes, which was down 557 tonnes on last season (excluding Colignan). As indicated above, the lower yields were mainly due to the severe heat conditions that damaged berries earlier in the growing season in December and January. The rain events during March and April impacted the drying season and reduced the availability of light coloured fruit, with most fruit graded as 'brown' across the dried vine industry in Sunraysia.

MRG's new agronomy and irrigation program implemented this season is expected to result in significantly improved yield performance for dried vine fruit next season, assuming normal weather conditions, as evidenced by the increased cane growth we are observing.

Total dried vine fruit from third-party growers is estimated to be 1,553 tonnes, 474 tonnes higher than last season, however lower than expected due to the challenging growing conditions across the Sunraysia region. This increase to last year's intake from third party growers is due to an increase in the number of growers supplying to MRG.

Citrus

Our citrus season has been steady with good yields after some quality concerns marking fruit during the hot and windy summer. Demand is strong and harvest will continue for mid-season varieties through to end September. Late varieties on track for late October and November harvest. Pricing has remained to expectation and slightly higher to prior year.

As a result of the adverse environment conditions, the Company recorded a fair value loss on agricultural produce ("SGARA") of $5.269 million.

Financial performance

	FY20(i) $'000	FY19(i) $'000	Change $'000	%
Net sales revenue	48,349	60,072	(11,723)	20%
Underlying EBITDA excluding SGARA and new lease standard(ii)	(10,269)	(3,568)	(6,701)	(188%)
Depreciation	(4,927)	(4,457)	(470)	(11%)
Underlying EBIT excluding SGARA(iii) and new lease standard(ii)	(15,196)	(8,025)	(7,171)	(89%)
Finance costs	(3,654)	(3,837)	183	5%
Reported loss after tax	(39,074)	(12,036)	(27,038)	(225%)
Working capital(iv)	19,610	24,046	(4,436)	(18%)
Net bank debt(v)	41,081	41,982	(901)	(2%)
Gearing - bank debt(vi)	200%	119%		

(i) Unaudited non-IFRS financial table
(ii) EBITDA (Earnings Before Interest, Tax, Depreciation and Impairment)
(iii) EBIT (Earnings Before Interest and Tax)
(iv) Trade receivables and inventory less trade and other payables
(v) Net borrowings (excluding lease liabilities under AASB16) less Colignan vineyard finance lease
(vi) Net bank debt divided by total equity
Refer to "Explanation of certain non-International Financial Reporting Standards (IFRS) financial measures"

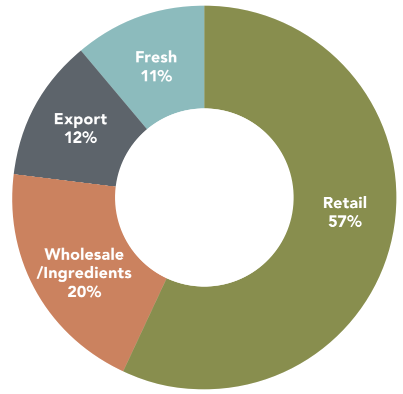
Sales overview

- The company achieved net sales of $48.349 million, down 19.5% on last year, however higher in the key strategy areas. This includes branded national retail sales (up 28%), export (up 3%), ingredients & wholesale (up 53%)
- Sales for National Retail were $28.911m, 30% lower than last year primarily driven by reduction in revenues from private label packing contracts. MRO's branded range was up 28% in FY20 on the previous year as we launched our new ranges.
- Sales for Wholesale & Ingredients grew by 53% despite some supply disruptions.
- Sales for Export grew by 19% in the first half and was impacted by COVID-19 with country restrictions and closures experienced across all major export markets from January 2020 through to end of May 2020. Europe, Japan and China exports re-started in June 2020. Exports still achieved growth in sales of 3% higher than last year at $6.08m.
- Sales of Fresh exports were down by 12%, primarily due to reduced citrus with the exit of Colignan
  - Table grapes were impacted by COVID-19 as markets closed and pricing dropped for most of the season. Yields improved 18%, however pricing was on average 24% lower due to COVID-19 impacts.
  - Citrus were down from $3.610m to $2.549m, impacted by the exit of Colignan

Sales breakdown

- National Retail – MRG products sold in supermarkets and specialty retail under both Murray River Organics' own brands and private label Australian supermarkets and specialty retailers accounted for approximately 57% of sales revenue;
- Export represents 12% of sales;
- Wholesale and Ingredients (including Bulk Retail) business represent 20% of sales: and
- Fresh including table grapes, wine grapes and citrus represent 11% of total sales.

FY20 Sales by Channel



Other financial performance

	FY20 (i) $'000	FY19 (i) $'000	Change $'000	%
Reported loss after tax	**(39,074)**	**(12,036)**	**(27,038)**	**(225%)**
Operating lease expense (prior to adoption of AASB16)	(895)			
Finance costs	3,654	3,837	183	5%
EBIT-L (loss)	**(36,315)**	**(8,199)**	**(27,221)**	**(343%)**
Significant items				
Revaluation loss on properties and assets held for sale	3,157	-	3,157	
Loss on disposal of Colignan property under lease	11,739	-	11,739	
Impairment of bearer plants	696	-	696	
Business restructuring costs	258	-	258	
Underlying EBIT-L (loss)	**(20,465)**	**(8,199)**	**(12,266)**	**(150%)**
Less SGARA loss/(gain)	5,269	174	5,095	NMF
Underlying EBIT-SL (loss)	**(15,196)**	**(8,025)**	**(7,171)**	**(89%)**
Depreciation and amortisation	4,927	4,457	470	(11%)
Underlying EBITDA-SL (loss)	**(10,269)**	**(3,568)**	**(6,701)**	**(188%)**

(i) Unaudited non-IFRS financial table. NMF means Not a Meaningful Figure. Refer to "Explanation of certain non-International Financial Reporting Standards (IFRS) financial measures"

- The Company incurred a net loss of $39.074 million and net cash outflows from operating activities of $15.423 million, largely due to restructure of the farming operations which resulted in the surrender of the Colignan property lease and loss on disposal of $11.739 million recognised on the Colignan property assets.
- The Company recorded a fair value loss on agricultural produce ("SGARA") of $5.269 million, primarily due to:
  - a 45% drop in farm yields for dried vine fruit, further impacted by poor quality and need for dehydrations,
  - a 32% increase in farming costs, primarily impacted by lower water allocations and very high spot water pricing, and
  - a reduction in the average price of Fresh Table Grape by 24%, which was partially offset by 18% improvements in table grape yields.

Cash flow and capital management

Summary of statement of cashflows	FY20 $'000	FY19 $'000	Change $'000	Change %
Net cash used in operating activities	(15,423)	(20,484)	5,061	(25%)
Net cash used in investing activities	(3,692)	(3,679)	(13)	0%
Net cash generated by financing activities	19,030	29,179	(10,149)	(35%)
Net increase in cash and cash equivalents	(85)	5,016	(5,101)	(102%)
Cash and cash equivalents at the beginning of the year	1,214	(3,802)	5,016	(132%)
Cash and cash equivalents at the end of the year	1,129	1,214	(85)	(7%)

- Cash flows from "operating activities" for the year were negative $15.423 million, which despite the difficult trading conditions were an improvement of $5.061 million on the prior year. The improved operating cashflows reflect a reduced level of working capital, despite significant increases in farming costs.

Working Capital	FY20(i) $'000	FY19(i) $'000	Change $'000	Change %
Trade and other receivables	6,151	10,518	(4,367)	(42%)
Inventories	20,789	22,269	(1,480)	(7%)
Trade and other payables	(7,330)	(8,741)	1,411	(16%)
Working Capital	19,610	24,046	(4,436)	(18%)
Agricultural produce	1,743	2,054	(311)	(15%)
Working Capital including Agricultural produce	21,353	26,100	(4,747)	(18%)

(i) Unaudited non-IFRS financial table

- Working capital (trade and other receivables, inventories and trade and other payables) reduced by $4.436 million driven by reduced inventories and improved terms with our customers and suppliers.
- Net bank debt was $41.081 million (2019: $41,982 million excluding the Colignan property finance lease). In March 2020, the Group successful raised additional capital of $22.039 million (net of costs) and has continued to draw on its facilities to execute its turnaround and growth plans.
  - On 6 February 2020, the Company reached an agreement with its financier in relation to amendments to its Banking Facilities. The amended Banking Facilities provide the Company with a term loan facility of $54 million subject to principal repayments on the term loan facility of $4.0 million by 31 March 2020 (completed), $7.5 million by 30 November 2020, and $2.5 million by 30 June 2021 (or, in respect of each repayment date, such later date as may be agreed between the parties); and
  - compliance with certain financial covenants related to agreed Minimum Underlying EBITDA-S and Net Tangible Assets measures. Following the repayments, the term loan facility will be permanently reduced to $40 million.
- The Company is actively marketing the sale of its Fifth Street property and is pursuing the sale of other assets. The Board anticipate that funding generated from the sale of these assets will be sufficient to meet the required $7.5 million and $2.5 million principal repayments by 30 November 2020 and 30 June 2021, respectively.
- On 11 December 2019, the Company reached an agreement with the landlord of the Colignan property, Arrow, to surrender control of the leased Colignan property back to Arrow for extinguishment of the Company's lease liabilities owed to Arrow. The terms of the lease surrender also provide for the Company to pay Arrow a surrender fee of $1.325 million, comprising:
  - $0.825 million paid from the proceeds of a bank guarantee; and
  - $0.500 million paid from the proceeds of the capital raise.

Explanation of certain non-International Financial Reporting Standards (IFRS) financial measures

Please be aware that certain information included in this report is considered 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes that these non-IFRS financial measures provide useful information to readers in measuring the financial performance and condition of the Company. As non-IFRS financial measures are not defined under AAS or IFRS, these do not have a prescribed meaning. Therefore, the way in which the Company calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial measures.

In particular, the following unaudited non-IFRS financial measures are included in this report:

1. Net Debt

- Net Debt, represents total borrowings less cash and cash equivalents.

2. Net Bank Debt

- Net Bank Debt, represents total borrowings (excluding the Colignan property lease liability and right of use asset lease liabilities) less cash and cash equivalents.
- Management believes this is a useful measure as it displays the Company's credit position.
- One of the limitations of this measure is that cash and cash equivalents will be required for purposes other than debt reduction.

3. EBIT-L

- EBIT-L, represents earnings or losses before interest, tax, excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

4. Underlying EBIT-SL

- Underlying EBIT-SL, represents earnings or losses before interest, tax, and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases, and excluding one-off items as agreed with the Company's financier.

5. EBIT-SL

- EBIT-SL, represents earnings or losses before interest, tax, and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

6. Underlying EBITDA-SL

- Underlying EBITDA-SL, represents earnings or losses before interest, tax, depreciation, amortisation, impairment and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases, and excluding one-off items as agreed with the Company's financier.

7. EBITDA-SL

- EBITDA-SL represents earnings or losses before interest, tax, depreciation, amortisation, impairment and before the fair value gain or loss on Agricultural Produce (SGARA), excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

8. Net Tangible Assets (NTA)

- Net Tangible Assets represents total assets less intangible assets less total liabilities (excluding deferred tax liabilities) less deferred tax assets, excluding the impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

Quality and Food Safety

Murray River Organics is committed to providing our customers with safe food, produced to the highest standards. Food quality is a powerful driver when consumers make food choices, so delivering product of the highest quality is at the forefront of what we do.

All factories and farms where Murray River Organics products are produced are regularly audited by external auditors to confirm compliance with food quality and safety standards. A total of 12 individual schemes are maintained across the operations with 25 days of audits carried out during FY20.

As a leading grower and producer of organic dried vine fruit, we benefit from having growers with expertise and a long history of growing. This ensures we can deliver the highest quality fruit to our customers.

Our expertise in global organic raw material supply chains ensure that our suppliers continue to meet our exacting standards. We maintain a robust supplier approval system to ensure that the raw materials we purchase continue to meet our quality standards. During the 2020 financial year, we carried out 4,162 tests covering pesticide residue, authenticity, allergens, and microbiology to ensure ongoing verification of product integrity and safety.

To stay at the forefront of product quality we regularly review and improve our own-brand product ranges, whilst developing new and innovative products for our customers.

Safety, Health and Wellbeing

Murray River Organics is committed to improving the physical safety and mental well-being of our employees and embedding a safety mindset and culture through the whole business. This has been a key focus given the outbreak of COVID-19 in 2020.

Our operational response was rapid, with strict measures to safeguard health and wellbeing as well as site operations.

As an essential service, providing food for our grocery retail industry, we introduced site lockdowns in March and deployed all non-essential teams seamlessly into a remote work environment.

Our ongoing active risk management approach to manage uncertainties has ensured that we are prepared for the challenges ahead.

The operational resilience and can-do culture of our people, whilst it has been tested during this extended lockdown in Victoria, is strong and growing.

Our teams have been supported by our Employee Assistance Program (EAP) through this challenging time as well as strong leadership from the Executive team.

Sustainability

Murray River Organics is certified organic by the Australian Organic body across a number of farm sites. This means utilising lower levels of certified organic pesticides, not applying manufactured herbicides or artificial fertilisers and operating by environmentally sustainable management of the land and natural environment. Murray River Organics believes in the benefits of certified organic management and food products, and the Group's ability to contribute to a more sustainable future.

Sustainable Farming

Murray River Organics sustainable farming practices utilise organic farming methods combined with scientific knowledge of soil ecology and modern technology. The traditional farming practices employed are based on the naturally occurring biological processes.

The fundamental difference between Murray River Organics certified organic farming and conventional farming practices is that conventional farming methods use highly soluble synthetic based fertilisers whereas we use organic, carbon-based and recycled aquaculture waste stream fertilisers. Organic pest and disease programs use certified biological natural pest control methods and products. Conventional farming methods use synthetic pesticides and fungicides.

Sustainable manufacturing

Food processing is typically the second largest source of environmental impact from food products. It is an area the Group has focused its sustainability efforts on. Solar panels have been installed on some of the Group's facilities in Sunraysia and LED lighting is fitted in all manufacturing areas which continues to provide energy savings compared to traditional energy sources and lighting.

A biomass boiler has been used to power the dehydration plant utilised in drying loose berries from the vineyards. The biomass boiler is powered by waste olive pips sourced from other producers in the Sunraysia region.

Murray River Organics' waste streams are recycled where possible, this includes recycling of all cardboard waste across all sites and the segregation of non-recyclable material. The cardboard used as part of our packaging is made from recycled material with a minimum of 27% and an average of 62% recycled content.

Murray River Organics continues to look at ways to further minimise the impact the business has on the environment and always strives to deliver sustainable, healthy food for current and future generations.

Operational Risks

There are several operational risks, both specific to the Group and of a general nature, which may impact the future operating and financial performance of the Group. There can be no guarantee that the Group will achieve its objectives or that forward-looking statements will be realised. The specific material business risks faced by the Group and how the Group manages these risks are set out below.

COVID-19

There are significant risks to operations, people, supply chains and customers as a result of the COVID-19 global pandemic and the ensuing community outbreaks. The Executive team continues to review the COVID-19 risk program daily with rapid deployment of measures to reduce the identified risks to our people, business operations, supply and customers whilst heeding the latest advice from government authorities.

Turnaround plan

Following a strategic review of the business in June 2018, the turnaround strategy was announced which focused on operations, customers, farms, 3rd party supply, systems, our people and culture. There has been significant progress in each of these areas and further work is ongoing. However, there is no guarantee as to the benefits that the turnaround strategy will realise, nor the time that may be required to realise these benefits. Delays or failure to

efficiently implement the turnaround strategy could have a material adverse effect on MRG's future financial performance.

There is a risk that MRG may continue to face challenging conditions, or that new risks may materialise, which could further impact its ability to continue to implement the turnaround strategy.

Access to funding

In March 2020 the Group successfully completed a capital raising of $22.039 million and renegotiation of its banking facility with NAB expiring 30 November 2021. As part of its ongoing capital management initiatives, MRG repaid $4.0 million on 31 March 2020 and is due to repay $7.5 million by 30 November 2020 and $2.5 million by 30 June 2021 (or, in respect of any repayment date, such later date as agreed by the parties), thereby reducing the total amount available under the facility to $40.0 million.

The Group is also required to meet financial covenants. The Group is pursuing the sale of non-core farm assets to enable it to fund the debt reduction and repayment commitments to NAB. There is risk in the timing of these asset sales.

Customer risk and competition

Our top ten customers comprised approximately 66% of FY20 sales. The Group's customer contracts are short term (and typical of the sector it operates in), with supply periods typically for one season or one year (which may depend on the product's seasonality), and the prices at which its products are sold are subject to fluctuation depending on the level of supply and demand at the time the products are sold. In addition, a significant proportion of these customer contracts do not have fixed or minimum volume requirements. The Group also operates in highly competitive geographic and product markets and competes against other organic and natural packaged food brands and companies. These competitors may be more innovative and able to bring new products to market faster and better able to quickly exploit and serve niche markets. This could have a material adverse impact on the financial performance and prospects of the Group. We believe that we can continue to successfully operate in these markets through strong product innovation and proactively managing our product sourcing whilst continuing to reduce our manufacturing costs.

Horticultural risk

Whilst we take steps to minimise the annual variations in yields and production, yields may vary from vine to vine and from harvest to harvest, which may impact our performance. For example, as an agricultural producer, weather, diseases and climatic conditions directly affect the business operations of the Group. Climate change or prolonged periods of adverse climatic conditions may have a negative effect on agricultural productivity, which may result in decreased availability or less favourable pricing for certain commodities that are necessary for its products.

If the Group's organic crop is reduced, we may not be able to find sufficient supply sources on favourable terms, which could impact our ability to supply product to customers. We are continually building and refining our third-party sourcing arrangements and will seek to reduce this risk where possible.

Water supply

An adequate supply of suitable water is crucial to our success in growing crops on our properties. While the irrigation water from both the Murray River and the Darling River is currently suitable for dried vine fruit production, having particular regard to its salinity, there is a risk that the Group could be exposed to a number of natural events, many of which are beyond our control. Changes to the availability of water or water quality may adversely impact our operations. Whilst we have ongoing short-term contractual arrangements for water entitlements and have the option to extend these rights, unexpected changes in climatic conditions may affect future allocation or availability of permanent water entitlements.

Loss of organic certification and deterioration in the MRO brand

The Group relies on independent organic certification of its products to differentiate the Group's offering from others. Quality control issues in respect of raw materials and ingredients may result in the loss of independent certifications which could adversely affect the Group's market position as a certified organic and natural products company and result in a loss of consumer confidence in the Murray River Organics brand. The Group is continually monitoring and auditing its operations to minimise such risks.

Market volume and price risk

Volatility in volume and price of produce (dried vine fruit, citrus, table grapes & wine grapes) could have a positive or negative impact on the Groups earnings.

As a produce grower, MRG is exposed to fluctuations in the market prices particularly in conventionally grown fruit. Excess supply can cause price reduction in the produce markets into which the Group supplies. If industry yields are higher than expected in the categories in which MRG competes, prices may fall and MRG's operating results could be negatively impacted.

Access to raw organic ingredients and other product sourcing

Our ability to ensure a continuing supply of organic ingredients from certified growers at competitive prices depends on many factors beyond the Group's control. These include the number and size of farms that grow organic crops, climate conditions, geopolitical issues, currency fluctuations and forecasting risks on seasonal ingredients. For certain products, the Group also competes with other manufacturers in the procurement of organic product ingredients, which may be less plentiful in the open market than conventional product ingredients. This could see an increase in the Groups expenditures for such products or constrain the amount of product that we are able to manufacture. The inability of any supplier of raw materials, or other service provider to deliver products or perform their obligations in a timely or cost-effective manner could cause the Group's operating costs to increase and profit margins to decrease. Murray River Organics is continually refining its sourcing arrangements in order to reduce this risk.

Adverse movement in exchange rate

Murray River Organics is exposed to foreign exchange risk from the importation of commodities and export of produce to various customers. Unfavourable movements in the foreign exchange rates between the Australian dollar and other currencies such as the US dollar can have a material adverse impact on the overall financial performance of the Group. The Group hedges a proportion of anticipated purchase and sale commitments denominated in foreign currencies to manage its exposure to foreign currency fluctuations.

Changes in the state of affairs

During the financial year there were no significant changes in t he state of affairs of the Group, other than as referred to in this Annual Report.

Future developments

Information regarding likely developments in the operations of the Group in future financial years is set out in the Review of operations and elsewhere in the Annual Report.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental regulation

The entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Murray River Organics is certified by Australian Certified Organic (certificate number 11486).

Company Dividends

No dividends were paid or declared during the period.

Indemnification of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a Director or officer of the Company or of any related body corporate against a liability incurred as such a Director and officer.

Indemnification of auditors

To the extent permitted by the law, the Company has agreed to indemnify its auditors, Ernst and Young, as part of the terms of its audit engagement agreement against claims by a third party arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 25 to the financial report do not compromise the external auditor's independence, based on advice received from the Risk and Audit Management Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 36 of the financial report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

This Remuneration Report details the nature and amount of remuneration for each Director and senior management personnel of Murray River Organics Group Limited ("Murray River Organics" or the "Company") and its controlled subsidiaries (the "Group").

For the purpose of the Remuneration Report, key management personnel ("KMP") include all Directors of the Board (executive and non-executive) and other senior executives of the Group.

The KMP of the Group during the year ended 30 June 2020 were as follows:

	Period of Responsibility	KMP Position
Non-Executives		
Andrew Monk	Appointed 24 January 2018	Non-Executive Independent Chairman
Stuart McNab	Appointed 15 May 2020	Non-Executive Independent Director
Paul McDonald	Appointed 22 May 2020	Non-Executive Independent Director
Naseema Sparks	Appointed 9 June 2020	Non-Executive Independent Director
Keith Mentiplay	Appointed 24 January 2018 Resigned 21 January 2020	Non-Executive Independent Director
Michael Porter	Appointed 2 April 2018 Resigned 9 June 2020	Non-Executive Independent Director
Tony Dynon	Appointed 18 March 2019 Resigned 15 May 2020	Non-Executive Independent Director
Executives		
Valentina Tripp	Appointed 16 April 2018	Managing Director and Chief Executive Officer (CEO)
Albert Zago	Appointed 15 January 2018 Resigned 20 March 2020	Chief Financial Officer (CFO)

Role of the Remuneration and Nomination Committee

Composition

In accordance with the Remuneration and Nomination Committee Charter, the Group has established a Remuneration and Nomination Committee consisting of at least three members, a majority of whom must be independent with an independent Chairperson who is nominated by the Board of Murray River Organics Group Limited. The Remuneration and Nomination Committee is currently comprised solely of Non-executive Directors.

Functions

The role of the Remuneration and Nomination Committee is to assist the Board by ensuring that Murray River Organics:

- Has coherent remuneration policies and practices which enable the company to attract and retain executives and Directors who will create value for shareholders, including succession planning for the Board and executives;
- Fairly and responsibly remunerate Directors and executives, having regard to the performance of the company, the performance of the executives and the general remuneration environment;
- Has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
- Has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the company's needs; and
- Has adequate succession plans for the CEO, senior executives and Executive Directors.

Further information about remuneration structures and the relationship between remuneration policy and company performance is set out below.

The Remuneration and Nomination Committee Charter, which outlines the terms of reference under which it operates, is available online at **www.murrayriverorganicsinvestors.com.au.**

Remuneration Policy

The remuneration policy of Murray River Organics Group Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives (STI) and long-term incentives (LTI) based upon key performance areas affecting the Group's financial results. The Board of Murray River Organics Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed and approved by the Board. Executive packages have been reviewed by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The performance of executives is measured against agreed criteria and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives are linked to predetermined operational and financial performance criteria.

The Directors and executives receive a superannuation guarantee contribution required by the law, and do not receive any other retirement benefits.

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the annual general meeting. The maximum aggregate amount of fees that can be paid to non-executive Directors as per last approval is $500,000. Fees for Non-executive Directors are not linked to the performance of the Group. In FY19 share options were issued to Non-executive Directors as remuneration for additional work undertaken as part of the capital raise dated 24 October 2018.

Use of Remuneration advisors

Remuneration advisors were not engaged in FY20.

During FY19 the Remuneration and Nomination Committee approved the engagement of Crichton & Associates Pty Ltd to provide remuneration recommendations regarding remuneration mix and quantum for executives and Non-executive Directors.

Both Crichton & Associates Pty Ltd and the Committee are satisfied the advice received from Crichton & Associates Pty Ltd is free from undue influence from the KMP to whom the remuneration recommendations apply.

The remuneration recommendations were provided to the Committee as an input into the decision making only. The Remuneration and Nomination Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The fee paid in FY19 to Crichton & Associates Pty Ltd for the remuneration recommendations was $10,547.

Short Term Incentive ("STI") Plan

Valentina Tripp and Albert Zago

For FY2020, Valentina Tripp, Albert Zago and certain other employees as determined by the Board were entitled to participate in a cash-based STI Plan under the terms of their employment contracts, and in accordance with the terms of the STI Plan in place for FY2020. The maximum amount that an Executive KMP is entitled to under the STI Plan is as follows:

- Valentina Tripp, up to 60% of Valentina's total remuneration (base salary plus superannuation); and
- Albert Zago, up to 25% of Albert's total remuneration (base salary plus superannuation).

The table below sets out, in respect of Valentina Tripp and Albert Zago's entitlement, the percentage of their entitlement that will be paid on satisfaction of certain key performance indicators.

Measure	Entitlement to be paid
EBITDA before SGARA	40%*
Cashflow Management	40%
Customer Service	10%
Health and Safety	10%

* With additional payment opportunities for an additional 20% weighting if performance measure is exceeded by specified amounts. This could result in them receiving up to 120% of their total STI Plan entitlement for FY2020.

Valentina Tripp and Albert Zago also received an STI for performance during the year ended 30 June 2019 based on project goals and KPIs relevant to their role as part of the broader restructure of the Group.

Long-term Incentive ("LTI") Plan

In conjunction with the capital raise dated 24 October 2018 the Board reinstated the Group's LTI Plan with new vesting conditions. The LTI Plan offers eligible employees (including KMP executives) selected by the Board rights to subscribe for, or be granted, Performance Rights. In FY19 Performance Rights were granted to Valentina Tripp and Albert Zago under the FY19 LTI Plan at nil consideration and vest 3 years from the date of grant, provided that the relevant employee is still employed by the Group at that time and subject to performance related vesting conditions. There was no grant of Performance Rights in FY20. In FY21 the Board will consider extending the LTI plan to other senior employees of the Group. An overview of the LTI plan is as follows:

- Participants in the LTI Plan do not pay any consideration for the grant of the Performance Rights. On vesting, one performance right is exercisable into or entitles the holder to one share.
- Performance Rights are not be listed on ASX and does not entitle its holder to dividends nor rights to vote at meetings of shareholders of the Company.
- Performance Rights will only vest where the performance conditions and any other relevant conditions advised have been satisfied unless otherwise determined by the Board. An unvested performance right will lapse in certain circumstances, including where performance conditions are not satisfied within the relevant time period, where the participant deals with the performance right in breach of the rules of the LTI Plan or where, in the opinion of the Board, a participant has acted fraudulently or dishonestly.
- If a participant's employment or engagement with the Company (or its subsidiaries) terminates before the Performance Rights have vested, the Performance Rights will lapse, unless the invitation provides otherwise, or the Board resolves otherwise.
- Where there is a takeover bid made for Shares in the Company, the Directors may determine that all or part of the participant's unvested Performance Rights, will become vested Performance Rights.
- If there are certain variations in the share capital of the Company, including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Directors may make such adjustments as they consider appropriate under the LTI Plan.

The vesting condition is based on Total Shareholder Return Compound Annual Growth Return and in accordance with the following vesting schedule:

TSR CAGR	% of Performance Rights that vest	Comment
Less than 10% p.a.	0%	
10% p.a.	25%	Straight line interpolation between 10% and 12.5%
12.5% p.a.	50%	Straight line interpolation between 10% and 12.5%
15% p.a.	100%	

Key Terms of Employment contracts

Valentina Tripp	Managing Director and Chief Executive Officer
Expiry date	Not applicable
Fixed Remuneration	$500,000 (including superannuation)
Short Term Incentive	Maximum yearly cash bonus of $300,000, representing 60% of total remuneration (base salary plus superannuation).
Retention Incentive	• 6 million options over ordinary shares in MRG with an exercise price of $0.10 cents vesting 16 April 2019 and expiring 16 April 2021. • 6 million options over ordinary shares in MRG with an exercise price of $0.18 cents vesting 16 April 2020 and expiring 16 April 2022. • 6 million options over ordinary shares in MRG with an exercise price of $0.27 cents vesting 16 April 2021 and expiring 16 April 2023.
Long Term Incentive	Entitled to participate and included in the Company's LTI scheme.
Notice period	6 months
Termination/redundancy payment	Valentina's employment may be terminated by either party by providing six months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	6 months.

Key Terms of Employment contracts (continued)

Albert Zago	**Chief Financial Officer**
Expiry date	Not applicable
Fixed Remuneration	$310,000 (including superannuation)
Short Term Incentive	Maximum yearly bonus of 25% of total remuneration (base salary plus superannuation).
Long Term Incentive	Entitled to participate and included in the Company's LTI scheme.
Notice period	4 months
Termination/redundancy payment	Albert's employment may be terminated by either party by providing four months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	Up to 12 months subject to location of employment or trade

Albert Zago resigned as Chief Financial Officer on 20 March 2020.

	From 1 December 2018		**Prior to 1 December 2018**	
Board/Committee	**Chairman Fee* ($)**	**Director/Member Fee*($)**	**Chairman Fee* ($)**	**Director/Member Fee* ($)**
Board based fee	$120,000 (inclusive of committee work)	$70,000	$75,000 (inclusive of committee work)	$40,000
Remuneration and Nomination Committee	$10,000	-	$5,000	-
Audit and Risk Committee	$10,000	-	$5,000	-

*The base fees detailed above excluded superannuation.

Relationship between Remuneration Policy and Group Performance

	2020 $'000	**2019 $'000**	**2018 $'000**	**2017 $'000**	**2016 $'000**
Revenue	48,349	60,072	68,539	48,522	11,958
Underlying EBITDA (statutory) (ii)	(10,269)	(3,568)	(51,968)	(584)	6,945
Underlying EBITDA (pro-forma) (ii)	N/A	N/A	N/A	6,487	8,506
Net profit/(loss) after tax	(39,074)	(12,036)	(59,607)	(5,927)	2,229

	2020	**2019**	**2018**	**2017**	**2016**
Share price at start of year	$0.079	$0.31	$0.32	$1.30 (i)	N/A
Share price at end of year	$0.015	$0.079	$0.31	$0.32	N/A
Basic earnings (cents) per share	(4)	(4)	(49)	(8)	0.04
Diluted earnings (cents) per share	(4)	(4)	(49)	(8)	0.04
Interim and final dividend	-	-	-	-	-

(i) The Company listed on the ASX on 20 December 2016 at an opening share price of $1.30 per share.

(ii) Statutory and pro-forma underlying EBITDA results are non-IFRS financial measures referring to earnings before interest, tax, depreciation and amortisation and are adjusted for one-off items. The pro-forma results are removing the impact of the Company's listing on the ASX on 20 December 2016.

Details of Key Management Personnel Remuneration

The compensation of each member of the key management personnel of the Group for the current year is set out below:

	Short-term		**Post-employment**	**Long-term benefits**	**Equity-settled share-based payments (viii)**					
	Salary, fees and leave	**Bonus**	**Super-annuation**	**Long service leave**	**Shares**	**Performance rights/ Options**	**Termination**	**Total**	**Total performance related**	**Fixed remuneration**
2020	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Non – Executive Directors										
Andrew Monk	120,000	-	11,400	-	-	38,205	-	169,605	23%	77%
Keith Mentiplay(i)	46,667	-	4,433	-	-	38,205	-	89,305	43%	57%
Michael Porter(v)	66,051	-	6,275	-	-	38,205	-	110,531	35%	65%
Tony Dynon(ii)	73,333	-	6,967	-	-	-	-	80,300	-	100%
Naseema Sparks(vi)	4,308	-	409	-	-	-	-	4,717	-	100%
Stuart McNab(iii)	8,795	-	836	-	-	-	-	9,631	-	100%
Paul McDonald(iv)	5,833	-	554	-	-	-	-	6,387	-	100%
Sub-total	324,987	-	30,874	-	-	114,615	-	470,476		
Executives										
Valentina Tripp	479,469	-	21,003	-	-	555,012	-	1,055,484	53%	47%
Albert Zago(vii)	203,742	-	23,953	-	-	(25,484)	123,310	325,521	-	100%
Sub-total	683,211	-	44,956	-	-	529,528	123,310	1,381,005		
Total	**1,008,198**	**-**	**75,830**	**-**	**-**	**644,143**	**123,310**	**1,851,481**		

(i) Keith Mentiplay – resigned 21 January 2020 (ii) Tony Dynon – resigned 15 May 2020 (iii) Stuart McNab – appointed 15 May 2020 (iv) Paul McDonald – appointed 22 May 2020 (v) Michael Porter – resigned 9 June 2020 (vi) Naseema Sparks – appointed 9 June 2020 (vii) Albert Zago – resigned 15 June 2020 (viii) Equity-settled share-based payment amounts included as KMP remuneration are based on the accounting standard requirement to amortise the fair value of options issued in prior years over the period up to the vesting date. At the date of this report, no options have been exercised, as the exercise price significantly exceeds the market price of the shares.

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

	Short-term		**Post-employment**	**Long-term benefits**	**Equity-settled share-based payments**					
	Salary, fees and leave	**Bonus**	**Super-annuation**	**Long service leave**	**Shares**	**Performance rights/ Options**	**Termination**	**Total**	**Total performance related**	**Fixed remun-eration**
2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Non – Executive Directors										
Andrew Monk	101,250	-	9,619	-	-	9,602	-	120,471	8%	92%
Keith Mentiplay	65,417	-	6,125	-	-	9,587	-	81,129	12%	88%
Michael Porter	57,500	-	5,463	-	-	9,587	-	72,550	13%	87%
Tony Dynon	23,174	-	2,202	-	-	-	-	25,376	-	100%
Steven Si(i)	6,758	-	642	-	-	-	-	7,400	-	100%
Sub-total	254,099	-	24,051	-	-	28,776	-	306,926		
Executives										
Valentina Tripp	479,469	90,000	20,531	-	-	109,472	-	699,472	29%	71%
Albert Zago	289,470	23,250	20,531	-	-	12,312	-	345,563	10%	90%
Sub-total	768,939	113,250	41,062	-	-	121,784	-	1,045,035		
Total	1,023,038	113,250	65,113	-	-	150,560	-	1,351,961		

(i) Steven Si – resigned 10 August 2018

Key Management Personnel's Share-based Compensation

Performance rights issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per performance right at grant date	Number vested during the year	Year in which performance rights may vest	Vested %	Fair value of exercised performance rights during the year	Number forfeited during the year	Year forfeited performance rights were granted	Amount paid or payable for exercised performance rights	Terms and conditions for each grant: Exercise price $	Expiry date	First exercise date	Last exercise date
Valentina Tripp	LTI	22/11/18	2,325,451	$0.054	-	2021	-	-	-	-	-	-	21/11/21	21/11/21	21/11/21
Albert Zago	LTI	1/1118	901,112	$0.062	-	2021	-	-	901,112(i)	2018	-	-	21/11/21	21/11/21	21/11/21
Total			**3,226,563**					**-**	**901,112**	**-**	**-**				

(i) 100% of the of the performance rights were forfeited.

Options issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per performance right at grant date	Number vested during the year	Year in which performance rights may vest	Vested %	Fair value of exercised performance rights during the year	Number forfeited during the year	Year forfeited performance rights were granted	Amount paid or payable for exercised performance rights	Terms and conditions for each grant: Exercise price $	Expiry date	First exercise date	Last exercise date
Andrew Monk	Capital Raise 2018	22/11/18	1,000,000	$0.0478	-	2019	100%	-	-	-	-	$0.068	22/11/21	22/11/19	22/11/21
Keith Mentiplay	Capital Raise 2018	22/11/18	1,000,000	$0.0478	-	2019	100%	-	1,000,000	2018	-	$0.068	22/11/21	22/11/19	22/11/21
Michael Porter	Capital Raise 2018	22/11/18	1,000,000	$0.0478	-	2019	100%	-	1,000,000	2018	-	$0.068	22/11/21	22/11/19	22/11/21
Valentina Tripp (i)	Retention Incentive A	22/11/18	6,000,000	$0.0429	-	2019	100%	-	-	-	-	$0.068	16/04/21	16/04/19	16/04/21
	Retention Incentive B		6,000,000	$0.0397	6,000,000	2020	100%	-	-	-	-	$0.148	16/04/22	16/04/20	16/04/22
	Retention Incentive C		6,000,000	$0.0401	-	2021	-	-	-	-	-	$0.238	16/04/23	16/04/21	16/04/23

(i) The Retention Incentive options with a grant dated of 16 April 2018 were not issued and were replaced with new Retention Incentive options (grant date 22 November 2018) following the capital raised dated 24 October 2018. The options were approved and granted at the 2018 Annual General Meeting.

(ii) The exercise prices of options were adjusted following the March 2020 capital raise under the original terms of the options. This did not result in a modification or change to the fair value of the options previously determined at grant date.

Number of performance rights held by key management personnel

The number of performance rights in Murray River Organics Group Limited held by each KMP:

	Balance at 1 July 2019	Granted	Exercised	Forfeited	Balance at 30 June 2020	Vested and exercisable at 30 June 2020
Valentina Tripp	2,325,451	-	-	-	2,325,451	-
Albert Zago	901,112	-	-	901,112	-	-
Total	**3,226,563**	**-**	**-**	**901,112**	**2,325,451**	**-**

Number of Options held by key management personnel

The number of options in Murray River Organics Group Limited held by each KMP:

	Balance at 1 July 2019	Granted	Exercised	Lapsed(i)	Balance at 30 June 2020	Vested and exercisable at 30 June 2020
Andrew Monk	1,000,000	-	-	-	1,000,000	1,000,000
Keith Mentiplay	1,000,000	-	-	(1,000,000)	-	-
Michael Porter	1,000,000	-	-	(1,000,000)	-	-
Valentina Tripp (i)	18,000,000	-	-	-	18,000,000	12,000,000
Total	**21,000,000**	**-**	**-**	**(2,000,000)**	**19,000,000**	**13,000,000**

Number of shares held by key management personnel

The number of ordinary shares in Murray River Organics Group Limited held by each key management personnel of the Group during the financial year is as follows:

	Balance at 1 July 2019	Options Exercised	Net Change Other	Balance at 30 June 2020(ii)
Andrew Monk	1,535,333	-	2,000,000 (i)	3,535,333
Keith Mentiplay	625,000		(625,000) (iii)	
Michael Porter	1,400,000	-	(1,400,000) (iii)	
Tony Dynon				
Valentina Tripp	2,200,000	-	500,000 (i)	2,700,000
Albert Zago				
Naseema Sparks	-	-	-	-
Stuart McNab	-	-	-	-
Paul McDonald	-	-	-	-
Total	**5,760,333**	**-**	**475,000**	**6,235,333**

(i) 'Net Change Other' relates to shares purchased and sold during the financial year.

(ii) There has been no change in shareholdings from 30 June 2020 to the date of this report.

(iii) 'Net Change Other' reflects that Michael Porter, Keith Mentiplay and Tony Dynon resigned as Directors, as well as Albert Zago as CFO prior to 30 June 2020. They are no longer KMP as at 30 June 2020.

Other equity-related key management personnel transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Loans to key management personnel

There have been no loans to management personnel (2019: Nil).

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001.*

On behalf of the Directors

Director ______________________

Andrew Monk
Chairman

Director ______________________

Valentina Tripp
Managing Director

31 August 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Murray River Organics Group Limited

As lead auditor for the audit of the financial report of Murray River Organics Group Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Murray River Organics Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

David Petersen
Partner

31 August 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of Murray River Organics Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Murray River Organics Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

For the year ended 30 June 2020, the Group incurred a net loss of $39.074 million and net cash outflows from operating activities of $15.423 million. These factors along with the other risks outlined in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Disposal of the Colignan property under lease

Why significant

As disclosed in Note 6 of the financial report, the Group surrendered control of the leased Colignan property in December 2019.

The loss on the disposal of the Colignan property under lease was $11.739 million (after lease termination and disposal costs), following the derecognition of assets totaling $34.932 million and associated liabilities of $26.347 million.

In connection with the surrender of the lease, the Group entered into a three-year sourcing agreement for dried vine fruit grown on the Colignan property.

The transaction was considered a key audit matter due to the materiality of assets and liabilities derecognised and the complex judgements in accounting for the transaction due to the interaction of multiple Australian Accounting Standards, including the application of lease accounting.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Reviewed the Deed of Surrender and relevant other documents, including the sourcing agreement, to assess the key terms of the transaction.
- Agreed the carrying amounts of assets and liabilities included in the Colignan property disposal group to underlying accounting records.
- Agreed the lease termination and disposal costs to underlying documentation.
- Checked the mathematical accuracy of the loss on disposal calculation.
- Considered the Group's accounting judgements with respect to the sourcing agreement and the application of Australian Accounting Standards.
- Assessed the adequacy of the related disclosures made in the financial report as required by Australian Accounting Standards.

Revaluations of property, plant and equipment – including assets held for sale

Why significant

As disclosed in Note 2(f) and Note 14.1 of the financial report, the Group applies the revaluation method in measuring the following classes of property, plant and equipment:

- Freehold land
- Bearer plants
- Buildings and property improvements

The Group owns a portfolio of agricultural assets of which those classes of property, plant and equipment applying the revaluation method represent 42% of total assets of the Group at 30 June 2020.

The Group has determined the fair value of the relevant properties at 30 June 2020 based on valuations performed by an independent valuer. The valuation methodologies applied are described in Note 14.1 of the financial report.

The global economy has been impacted by the Government restrictions and economic uncertainty resulting from the COVID-19 pandemic. The independent valuations are based on conditions existing and emerging as at 30 June 2020. Given the market conditions as at 30 June 2020, the independent valuer has reported on the basis of the existence of a 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than normally would be the case.

For these reasons, the disclosures in Note 14.1 of the financial report provide particularly important information about the valuation methodologies and material valuation uncertainty.

The Group also holds a property as 'assets held for sale' and classified as 'current assets' at 30 June 2020. The Group has applied judgement in determining the fair value less costs to sell in accordance with Australian Accounting Standards with reference to recent offers from market participants.

The revaluation of property, plant and equipment, including assets held for sale, was considered a key audit matter due to the materiality of the relevant assets and the nature of valuation judgements involved.

How our audit addressed the key audit matter

Our audit procedures involved our valuation specialists where necessary and included the following:

- Assessed the competence, capabilities and objectivity of the external valuers, and appropriateness of the scope and methodology of valuations commissioned for the purposes of the financial report. This included direct discussions with the external valuer.
- Assessed the comparable transactions referenced by the external valuers to value the Group's relevant assets at 30 June 2020.
- Checked the mathematical accuracy of the Group's revaluation gain or loss and assessed the recognition through profit or loss or other comprehensive income against the requirements of Australian Accounting Standards.
- Assessed the adequacy of the related disclosures made in the financial report, in particular those relating to the material valuation uncertainty, as required by Australian Accounting Standards.
- Assessed the appropriateness of judgements applied by the Group in classifying a property as 'assets held for sale' in accordance with Australian Accounting Standards.
- Assessed the fair value less costs to sell applied to the 'assets held for sale' with reference to offers received by the Group from market participants.

Building a better working world

Impairment of non-current assets

Why significant

The Group assesses non-current assets for impairment indicators at each reporting date. If indicators exist, an impairment test is performed in accordance with Australian Accounting Standards.

The Group has exercised judgement to determine there is a single cash generating unit ("CGU") consistent with the identification of operating segments. The Group's single CGU has been the basis for assessing non-current assets for impairment.

After ongoing below budget operating results, the Group performed an impairment test of the CGU at 30 June 2020 using the 'fair value less cost of disposal' impairment model. Following the revaluation of relevant property, plant and equipment and the disposal of the Colignan property, no further impairment was identified.

The impairment assessment of non-current assets was a key audit matter due to the significant judgements and subjectivity of assumptions applied in the assessment.

Note 14.2 of the financial report discloses the range of judgements and assumptions in the Group's impairment assessment.

How our audit addressed the key audit matter

Our audit procedures involved our valuation specialists where necessary and included the following:

- Assessed the Group's determination that there is a single CGU of the Group.
- Tested the mathematical accuracy of the 'fair value less cost of disposal' impairment model of the CGU.
- Assessed the Group's judgement in applying cash flow forecasts extending over a 10 year period in the 'fair value less cost of disposal' impairment model.
- Assessed whether cash flows as reviewed by the Board were used in the CGU impairment model.
- Assessed the key assumptions contained within the cash flow forecasts prepared by the Group against support and external data where available, including revenue growth rates, profit margins, capital expenditure estimates and terminal growth rates.
- Assessed the appropriateness of the discount rate applied to the CGU by comparison to external market data of comparable companies.
- Performed sensitivity analysis on key assumptions to ascertain the extent to which changes in those assumptions would impact the impairment assessment.
- Considered the net assets of the Group compared to the market capitalisation at 30 June 2020 as a valuation cross-check.
- Compared the fair value less costs of disposal of assets to their carrying value at 30 June 2020 as a valuation cross check.
- Assessed the adequacy of the related disclosures made in the financial report as required by Australian Accounting Standards.

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Measurement of the 2020 Crop

Why significant

The 2020 Crop consists of vine (grape) and citrus fruit, a portion of which remains unharvested at 30 June 2020.

As disclosed in Note 2(e) and Note 10 of the financial report, the Group has measured the fair value less costs to sell of the 2020 Crop at the point of harvest to be $5.419 million.

The measurement of the 2020 Crop was a key audit matter as the fair value less costs to sell estimate is subject to significant judgement given the nature of assumptions applied, including:

- Principal market for the category of fruit
- Forecast selling price for the category of fruit
- Estimated yield of unharvested fruit

Note 10 of the financial report discloses the key changes in accounting estimates applied to measure the 2020 Crop in comparison to the 2019 Crop.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the methodology applied by the Group to measure the 2020 Crop with reference to Australian Accounting Standards.
- Assessed the Group's judgement of the principal market or, where relevant, the most advantageous market for the 2020 Crop.
- Assessed the key assumptions within the fair value less costs to sell calculation for the 2020 Crop by comparing the assumptions to historical trends and, where possible, actual outcomes in subsequent periods.
- Assessed the actual yields and estimates of yields on unharvested fruit for the 2020 Crop by testing a sample of inputs to historical data and actual outcomes in subsequent periods.
- Assessed the adequacy of the related disclosures made in the financial report, including those related to a change in accounting estimates, as required by Australian Accounting Standards.

Existence and measurement of inventories

Why significant

At 30 June 2020, the Group held $20.789 million in inventories representing 28% of total assets. The Group's inventories comprise raw materials harvested from the Group's fruit crops and purchased finished goods and packaging.

As detailed in Note 2(d) of the financial report:

- Own grown dried fruit and citrus inventories are measured at fair value less costs to sell at the point of harvest.
- Purchased inventories are valued at the lower of cost and net realisable value.

The Group stores its inventories at various farm, processing and warehouse locations. Given the perishable nature of the Group's inventories, certain inventory items are subject to changes to quality and weight over time, as well as demand from customers.

The existence and measurement of inventories was a key audit matter given the Group exercises judgement in measuring inventory volumes and recording inventory costs and provisions in accordance with the Group's accounting policies.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Attended stocktakes performed by the Group at selected inventory locations and performed a sample of inventory counts and reconciliations of physical inventory item quantities to accounting records. A sample of inventories recorded based on weight were weighed as part of our inventory count procedures.
- Assessed whether the cost of a sample of inventory items agreed to supplier invoices for purchased inventories and transfer value from agricultural produce for own grown produce.
- Selected a sample of the key inputs to the Group's process for capitalising manufacturing overheads into finished goods inventories to assess whether actual costs incurred had been capitalised.
- Assessed management's process for identifying excess, obsolete and unsaleable inventory items, including reviewing aged inventory listings, product gross margins and management's analysis of expected future sales for inventory items.
- Assessed the Group's assumptions in calculating inventory provisions and tested a sample of items for consistency with the Group's accounting policies.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Chairman's Review, Managing Director's Report, Directors' Report and Additional Australian Securities Exchange Information that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 36 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Murray River Organics Group Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David Petersen
Partner
Melbourne

31 August 2020

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Director ____________________

Andrew Monk
Chairman

Director ____________________

Valentina Tripp
Managing Director

31 August 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	4	48,349	60,072
Other income	4	463	587
Fair value loss from agricultural produce	10	(5,269)	(174)
Change in finished goods		5,386	(2,077)
Raw materials, consumables used and farming input costs		(46,785)	(44,364)
Administration expense		(1,762)	(2,145)
Selling expenses		(1,465)	(869)
Employee benefits expense	5	(8,935)	(9,116)
Depreciation expense	5	(4,927)	(4,457)
Freight out and distribution expenses		(2,086)	(2,617)
Other expense		(2,539)	(3,039)
Finance costs	5	(3,654)	(3,837)
Loss on disposal of Colignan property under lease	6	(11,739)	-
Revaluation loss on properties and assets held for sale	5	(3,157)	-
Impairment of non-current assets	5	(696)	-
Business restructuring costs	5	(258)	-
Loss before tax		**(39,074)**	**(12,036)**
Income tax benefit	7	-	-
Loss for the year		**(39,074)**	**(12,036)**
Attributed to:			
Equity holders of the parent		(39,074)	(12,036)
		(39,074)	**(12,036)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of assets	20(a)	564	-
Income tax effect of other comprehensive income	20(a)	-	-
Items that may be reclassified subsequently to profit or loss:			
Net movement in cash flow hedges		(400)	(71)
Income tax effect of other comprehensive income		-	-
Total other comprehensive income / (loss)		164	(71)
Total comprehensive loss for the year		**(38,910)**	**(12,107)**
Attributed to:			
Equity holders of the parent		(38,910)	(12,107)
Basic earnings per share (cents per share)	28	(4)	(4)
Diluted earnings per share (cents per share)	28	(4)	(4)

Notes to the financial statements are included on pages 50 to 84.

Consolidated statement of financial position at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	22(a)	1,129	1,214
Trade and other receivables	8	6,151	10,518
Inventories	9	20,789	22,269
Agricultural produce	10	1,743	2,054
Other financial assets	11	-	99
Other assets	12	773	992
		30,585	**37,146**
Assets held for sale	13	5,379	6,361
Total current assets		**35,964**	**43,507**
Non-current assets			
Property, plant and equipment	14	35,955	71,090
Right-of-use assets	2(t)	3,014	-
Total non-current assets		**38,969**	**71,090**
Total assets		**74,933**	**114,597**
Current liabilities			
Trade and other payables	15	7,330	8,741
Borrowings	16	11,607	4,160
Lease liabilities	2(t)	716	-
Provisions	17	530	591
Other financial liabilities	18	303	-
Total current liabilities		**20,486**	**13,492**
Non-current liabilities			
Borrowings	16	30,603	65,104
Lease liabilities	2(t)	2,680	-
Provisions	17	576	565
Deferred tax liabilities	7	-	-
Total non-current liabilities		**33,859**	**65,669**
Total liabilities		**54,345**	**79,161**
Net assets		**20,588**	**35,436**
Equity			
Contributed equity	19	174,505	150,888
Reserves	20	(38,851)	(39,686)
Accumulated losses		(115,066)	(75,766)
Total equity		**20,588**	**35,436**

Notes to the financial statements are included on pages 50 to 84.

Consolidated statement of changes in equity for the year ended 30 June 2020

	Contributed equity	Retained earnings/ (Accumulated losses)	Corporate re-organisation reserve	Share-based payments reserve	Asset revaluation reserve	Hedging reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	**123,832**	**(63,730)**	**(47,453)**	**427**	**6,781**	**118**	**19,975**
Loss for the year	-	(12,036)	-	-	-	-	(12,036)
Other comprehensive loss	-					(71)	(71)
Total comprehensive loss for year	-	(12,036)	-	-	-	(71)	(12,107)
Issue of shares	30,618	-	-	-	-	-	30,618
Equity raising costs (net of tax)	(3,562)	-	-	206	-	-	(3,356)
Share-based payments	-	-	-	306	-	-	306
Balance at 30 June 2019	**150,888**	**(75,766)**	**(47,453)**	**939**	**6,781**	**47**	**35,436**
Balance at 1 July 2019	**150,888**	**(75,766)**	**(47,453)**	**939**	**6,781**	**47**	**35,436**
Impacts of adoption of new accounting standards (i)	-	(226)	-	-	-	-	(226)
Adjusted balance at 1 July 2019	**150,888**	**(75,992)**	**(47,453)**	**939**	**6,781**	**47**	**35,210**
Loss for the year	-	(39,074)	-	-	-	-	(39,074)
Other comprehensive income / (loss)	-	-	-	-	564	(400)	164
Total comprehensive loss for year	**-**	**(39,074)**	**-**	**-**	**564**	**(400)**	**(38,910)**
Issue of shares	26,582	-	-	-	-	-	26,582
Equity raising costs (net of tax)	(2,965)	-	-	-	-	-	(2,965)
Share-based payments	-	-	-	671	-	-	671
Balance at 30 June 2020	**174,505**	**(115,066)**	**(47,453)**	**1,610**	**7,345**	**(353)**	**20,588**

(i) The Group has adopted AASB 16 Leases by transitioning on a modified retrospective basis. This resulted in an increase of $226,000 to accumulated losses as at 1 July 2019, being the cumulative effect on initial application of the standard (refer to Note 2(t)). The comparative results for the year ended 30 June 2019 are not restated as permitted by the modified retrospective transition approach in AASB 16.

Notes to the financial statements are included on pages 50 to 84.

Consolidated statement of cash flows for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		58,245	62,271
Payments to suppliers and employees		(70,472)	(78,244)
Receipts from government grants – JobKeeper		555	-
Interest paid		(2,595)	(2,155)
Interest paid – Colignan property lease		(1,156)	(2,356)
Net cash used in operating activities	**22 (b)**	**(15,423)**	**(20,484)**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,835)	(5,296)
Proceeds from sale of property, plant and equipment		143	1,617
Net cash used in investing activities		**(3,692)**	**(3,679)**
Cash flows from financing activities			
Proceeds from borrowings		11,750	50,289
Repayment of borrowings		(10,922)	(47,626)
Repayment of lease liabilities		(574)	-
Proceeds from equipment loans		73	853
Repayment of equipment loans		(1,752)	(1,599)
Payments for borrowing costs		(259)	-
Payments for Colignan property lease surrender fee		(1,325)	-
Proceeds from issue of share capital		25,004	30,618
Payments for transaction costs from issue of share capital		(2,965)	(3,356)
Net cash generated by financing activities		**19,030**	**29,179**
Net (decrease) / increase in cash and cash equivalents		(85)	5,016
Cash and cash equivalents at the beginning of the year		1,214	(3,802)
Cash and cash equivalents at the end of the year		**1,129**	**1,214**

Notes to the financial statements are included on pages 50 to 84.

Notes to the financial statements

1. General information

These are the consolidated financial statements of Murray River Organics Group Limited (the "Company"), comprising of the Company and its controlled entities (the "Group").

The Company is a for-profit entity limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue by the directors on 31 August 2020.

2. Significant accounting policies

Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations. Compliance with Australian Accounting Standards and Interpretations ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for agricultural produce, certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going concern basis

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of this report, the Directors have reviewed the Group's turnaround plan and detailed financial forecasts which assume significant revenue growth. In developing the forecasts consideration has been given to any potential future impacts arising from the COVID-19 pandemic. The forecasts also reflect the challenging conditions affecting the FY2020 harvest (completed between March and June 2020) which have had an adverse impact on the Group's cashflow, mainly due to the FY2020 harvest yield being below expectations following the extreme heat over summer in the Sunraysia region, plus low water allocations and the high cost of spot market purchases to compensate. This was further compounded by a conversely wet weather period during the harvest period.

The Group is party to a multi-option banking facility with the National Australia Bank ("NAB banking facility") as detailed in Note 16. Under the terms of the NAB banking facility, the Group is required to comply with certain undertakings and other obligations which include:

- making principal repayments on the term loan facility of $7.500 million by 30 November 2020, and $2.500 million by 30 June 2021 (or, in respect of each repayment date, such later date as may be agreed between the parties); and
- compliance with financial covenants related to agreed Minimum EBITDA and Net Tangible Assets measures.

The Group is confident that funds generated from the sale of assets together with operating cash flow will be sufficient to meet the required principal repayments by 30 November 2020 and 30 June 2021.

The ability of the Group to meet its operational cash requirements and remain within the limits of the NAB banking facility is dependent in part on meeting forecast trading results and cash flows. These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of the Group including, but not limited to the impact of the COVID-19 pandemic and other events impacting agricultural production. The forecasts show that the Group should be able to operate within the level and terms of the NAB banking facility. This notwithstanding, the current economic and trading environment presents challenges in terms of sales volumes, pricing and input costs which in turn creates uncertainties about future trading results and cash flows.

The Directors believe there are reasonable grounds to consider that the Group will continue as a going concern based on the Group's trading and cash flow forecasts, confidence in meeting the obligations under the NAB banking facility and continued support from the Group's financier.

Notwithstanding the above, in the event that the Group is not able to meet its trading and cash flow forecasts and fulfil its obligations under the NAB facility there is a material uncertainty whether the Group will be able to continue as a going concern and, therefore, continue its business activities and realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Classifications

Certain classifications have been made in the financial report to ensure that prior year comparative information conforms to the current year presentations.

Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the "parent entity") and its subsidiaries (referred to as "the Group" in these financial statements) as defined in AASB 10 Consolidated Financial Statements. A list of subsidiaries appears in Note 31 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

(b) Revenue recognition

The Group recognises revenue from the sale of organic and better-for-you food products, including dried vine fruit, fresh produce and variety other dried food products.

Revenue from the sale of goods is recognised when the performance obligation relating to the sale has been satisfied; being the point in time at which control of the goods passes to the customer upon delivery of the goods consistent with the trading terms of the contract with the customer. Contract liabilities arising from revenue received from customers in advance of recognition are disclosed as 'deferred income'.

Revenue is measured based on contracted selling prices, rebates and promotional expenditure. Rebates and promotional expenditure are deducted from the selling price in determining reported revenue. Rebates and promotional expenditure are recognised concurrently with the sale of the related goods and can be variable based on estimated customer purchasing patterns.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Inventories

Inventories purchased from suppliers are valued at the lower of cost and net realisable value. Own grown dried fruit and citrus stocks are measured at fair value less estimated costs to sell at the point of harvest. A fair value adjustment is recognised in profit and loss at the point of harvest. Once harvested, this fruit is measured under AASB 102 *Inventories* at the lower of its fair value at point of harvest less costs to sell and net realisable value. Finished goods include the cost of raw materials, processing and packaging costs and an allocation of overhead costs (depending on the stage of production).

(e) Agricultural produce

Agricultural produce represents any unharvested produce valued in accordance with AASB 141 Agriculture. Agricultural produce is measured at their fair value less harvesting and selling costs on initial recognition and at each reporting date. The fair valuation takes into account selling prices and current growing costs, harvest costs, packing costs (if applicable), and selling costs.

Net increments and decrements in the fair value of the growing assets are recognised as income or expense in profit or loss, determined as:

- The difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- Costs incurred in maintaining or enhancing the biological assets.
- The fair value of agricultural produce harvested during the reporting period is measured at their fair value less estimated costs to be incurred up until the time of harvest.

The aggregate gain or loss arising on initial recognition and from changes in fair value less estimated point of sale costs is recognised as income or expense of the period. All of the Group's citrus trees and vines are classified as bearer plants as outlined in Note 2(f).

The new season crop is initially measured at cost, being those costs incurred in readying the biological assets for the future cultivation and harvest. The fair value less costs to sell of the new season crop is not reliably measurable given the immaturity of the crop and uncertainty of the quality and yield of the future harvest at the reporting date.

(f) Property, plant and equipment

Freehold land, buildings and bearer plants are measured at their revalued amounts being fair value at the date of valuation. Fair value is determined on the basis of a Directors valuation which is regularly supported by an independent valuation prepared by external valuation experts. The valuation approach adopted is a direct comparison and discounted cash flow method. The valuation approach adopted is outlined in Note 14.1.

The Group's citrus trees and vines qualify as bearer plants. Bearer plants are solely used to grow produce over their productive lives. Agricultural produce growing on bearer plants remains within the scope of AASB 141 Agriculture and continues to be measured at fair value less cost to sell at the point of harvest.

Any revaluation increase arising on the revaluation of freehold land, buildings and property improvements is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land, buildings and bearer plants is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any deferred taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and assets under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. All leased assets are depreciated over their useful life, or if shorter, the period of the lease.

The following estimated useful lives are used in the calculation of depreciation:

• Plant, equipment and tooling	1-10 years
• Bearer plants	25 years
• Buildings and property improvements	50 years
• Office equipment	3-5 years
• Motor vehicles	3-5 years
• Leasehold improvements and right-of-use assets	10-25 years (or lesser of lease term)

(g) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This further incorporates information and assumptions that a market participant would consider when pricing the item under consideration, the time value of money and the risks specific to the asset or cash-generating unit. Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. A financial asset is measured at amortised cost when held to collect contractual cash flows, whereas financial assets which are held both to collect contractual cash flows and to sell are classified as fair value through other comprehensive income.

Trade and other receivables
Trade and other receivables are measured at amortised cost less impairment, being an allowance for expected credit losses.

Other financial assets
For the accounting policy on derivatives – refer Note 2(p) and Note 23.

(i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. In calculating the present value, the Group applies the high-quality corporate bond rate in Australia applicable to the timing of estimated future cash outflows.

Payments for superannuation benefits are recognised as an expense when employees have rendered service entitling them to the contributions.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(k) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised costs, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, and lease liabilities.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Costs directly attributable to the issue of shares are recognised as a deduction of equity, net of tax effect.

Financial liabilities at amortised cost
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Trade and other payables are recognised at amortised cost, comprising the original debt less principal payments and amortisation.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/ statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Tax consolidated group
Murray River Organics Group Limited and its wholly owned entities have formed an income tax consolidated group, with Murray River Organics Group Limited as the head entity.

The tax consolidated group has not implemented a tax funding agreement between the entities of the tax consolidated group. Assets or liabilities arising with the entities within tax consolidated group are recognised as amounts receivable from or payable to other entities of the tax consolidated group.

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(n) Borrowing costs

Borrowing costs incurred for the construction or development of any qualifying asset (bearer plants) are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Directly attributable costs incurred to establish or renew a debt funding facility are capitalised in the net amount of loans and borrowings initially measured at fair value and subsequently measured by applying the EIR method (refer to Note 2(k).

All other borrowing costs, inclusive of all ongoing facility fees, bank charges, and interest, are expensed as incurred.

(o) Foreign currency

The presentation and functional currency of the Group is Australian dollars.

Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 23); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(p) Derivative financial instruments

The Group is exposed to changes in foreign exchange rates from its activities. The Group uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

The Group uses derivative financial instruments, being options and forward foreign currency contracts to hedge the risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

For derivatives that qualify for hedge accounting, the method for recognising gains and losses on changes in fair value depends on whether the derivative is classified as a fair value hedge or a cash flow hedge. Derivatives are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability and as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a particular risk associated with a recognised asset or liability or to a forecast transaction. The Group documents at inception of the hedge the relationship between the hedging instruments (derivatives) and the hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction.

The Group also documents, both at inception of the hedge and on an ongoing basis whether the derivatives that are used in the hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve and transferred to profit or loss when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. However, when the cash flow hedge relates to a forward foreign exchange contract to hedge a highly probable forecast transaction or firm commitment that results in a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income and recognised in net profit or loss for the year.

(q) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(r) Non-current asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(s) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(t) Changes in accounting policy, accounting standards and interpretations

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(i) AASB16 Leases

AASB 16 Leases ("AASB 16") supersedes AASB 117 Leases ("AASB 117"), AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted AASB 16 using the modified retrospective method of adoption with the date of initial application being 1 July 2019. The reclassifications and adjustments arising from the transition to AASB 16 are therefore recognised in the opening statement of financial position at 1 July 2019. As the Group has adopted the modified retrospective method, there was no restatement of comparative information.

Nature of the effect of adoption of AASB 16
The Group is, or has been in the relevant period, lessee under lease contracts for office and warehouse premises, the Colignan farm property, as well as various items of plant and equipment.

Before the adoption of AASB 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is lessee, except for short-term leases and leases of low-value assets. AASB 16 provides specific transition requirements and practical expedients, which has been applied by the Group.

- *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied on these leases from 1 July 2019. The Colignan farm property lease was previously classified as a finance lease under AASB 117.

- *Leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the carrying amount as if AASB 16 had always been applied, apart from the use of the incremental borrowing rate at the date of initial application of AASB 16. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has elected to not apply the requirements of AASB 16 to leases of intangible assets, including water rights, that were previously accounted for as operating leases under AASB 117.

Application of practical expedients
In applying AASB 16 at the initial date of application being at 1 July 2019, the Group has applied the available practical expedients:

- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application; and
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application.

Effect of adopting AASB 16 at 1 July 2019

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position (increase/(decrease) at 1 July 2019:

	$'000
Non-current assets	
Right-of-use assets	3,017
Total non-current assets	**3,017**
Total assets	**3,017**
Current liabilities	
Trade and other payables	(466)
Lease liabilities	1,026
Total current liabilities	**560**
Non-current liabilities	
Lease liabilities	2,683
Total non-current liabilities	**2,683**
Equity	
Accumulated losses	226
Total equity	**(226)**

There is no impact on the statement of profit or loss and other comprehensive income, statement of cash flows, and basic and diluted earnings per share for the comparative period as the Group elected to adopted the modified retrospective approach to transitioning to AASB 16.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	$'000
Operating lease commitments as at 30 June 2019	9,043
Weighted average incremental borrowing rate as at 1 July 2019	5.75%
Discounted operating lease commitments at 1 July 2019	**7,909**
Less: Commitments relating to intangible assets	(4,200)
Add: Commitments relating to leases previously classified as finance leases	26,233
Lease liabilities as at 1 July 2019	**29,942**

Effect of AASB 16 on the year ended 30 June 2020

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 30 June 2020:

	Right-of-use assets				Lease liabilities			
	Colignan property $'000	Other property $'000	Plant and equipment $'000	Total $'000	Colignan property $'000	Other property $'000	Plant and equipment $'000	Total $'000
As at 1 July 2019	-	2,859	158	**3,017**	-	3,549	160	**3,709**
Transfer from borrowings	-	-	-	**-**	26,233	-	-	**26,233**
Transfer from property, plant and equipment	22,398	379	-	**22,777**	-	-	-	**-**
Additions	-	-	695	**695**	-	-	695	**695**
Depreciation expense	(403)	(618)	(166)	**(1,187)**	-	-	-	**-**
Interest expense	-	-	-	**-**	1,156	175	32	**1,363**
Payments	-	-	-	**-**	(1,042)	(719)	(176)	**(1,937)**
Disposed	(21,995)	(293)	-	**(22,288)**	(26,347)	(320)	-	**(26,667)**
As at 30 June 2020	**-**	**2,327**	**687**	**3,014**	**-**	**2,685**	**711**	**3,396**

Set out below are the amounts recognised in profit and loss during the year ended 30 June 2020:

	30 June 2020 $'000
Consolidated	
Depreciation expense	1,187
Interest expense	1,363
Total amount recognised in profit and loss	**2,550**

Set out below is a maturity analysis of lease liabilities:

	Leases committed to but not yet commenced	Leases commenced at 30 Jun 2020 $'000
Consolidated		
Less than one year	-	716
One to five years	-	2,627
More than five years	-	616
Total undiscounted amount	**-**	**3,959**

The Group has certain lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the right-of-use asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension that are not included in the lease term of lease liabilities at 30 June 2020:

	Extension options expected not to be exercised $'000	Termination options expected not to be exercised $'000
Consolidated		
Less than one year	-	-
One to five years	-	-
More than five years	6,924	-
Total undiscounted amount	**6,924**	**-**

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application at 1 July 2019.

- Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less

any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the relevant commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the relevant lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the relevant lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

At the commencement date of the relevant lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the relevant commencement date), and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The Group applies the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated lease components as a single lease component.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the relevant lease commencement date if the interest rate implicit in the lease is not readily determinable. After the relevant commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments for short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

- Significant judgements

The Group has made the following significant judgements with respect to its leases as lessee:

o *Determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its property leases to lease the assets for additional terms of 5 to 10 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy). The Group excluded the renewal option as part of the lease term for leases of its office and warehouse premises as the Group is not reasonably certain to exercise the options.

o *Determining the incremental borrowing rate*

The Group has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities or right-of-use assets recognised. The Group reassesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date based on the term of the lease (or the remaining term of the lease at the initial date of application).

(u) Accounting standards and interpretations issued but not yet effective

The effects of the followings standards and interpretations are not expected to be material:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB1 01 and AASB 108] (effective: 1 January 2020)
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB3] (effective: 1 January 2020)
- AASB 2014-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (effective: 1 January 2022)
- AASB 2015-10Amendmentsto Australian Accounting Standards – Effective Date of Amendments to AASB10 and AASB128 (effective: 1 January2022)
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective: 1 January 2022)

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Agricultural produce

The current year unharvested citrus crop is classified as a biological asset and valued in accordance with AASB 141 Agriculture. In applying this standard, the Group has made various assumptions at the reporting date as the selling price of the crop can only be estimated and the actual crop yield or produce not harvested at the reporting date will not be known until it is completely processed and sold. Refer to Note 10 for assumptions pertaining to the current year crop. Agricultural produce is measured at fair value less costs to sell. The fair value inputs are considered Level 3 with reference to the fair value hierarchy. Refer to Note 14.1 for further details regarding the fair value hierarchy.

(b) Net realisable value of inventory

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Management has recorded a provision based on the value of inventory that is likely to be sold below cost using past experience and judgement of the age (including expiry dates) and likely sell through rates of specific inventory items. Refer to Note 9 for further details.

(c) Impairment of assets

Management's judgement is applied in determining the impairment of assets in accordance with AASB 136 Impairment of Assets. If the recoverable amount (higher of the value in use and fair value less cost to sell) is lower than the carrying value of an asset, the difference is recognised as impairment in the profit or loss. Refer to Note 14.2 for further details.

(d) Developing vine capital expenditure

Refer to Note 14.1 for further details.

(e) Land, buildings and bearer plants at revalued amounts

Refer to Note 14.1 for further details.

4. Revenues

	2020 $'000	2019 $'000
Revenue from contracts with customers	**48,349**	**60,072**
Other income		
Net gain on sale of property, plant and equipment	20	140
Net foreign exchange gains	392	308
Other	52	139
	463	**587**

5. Expenses

Loss before tax includes the following specific expenses:

	2020 $'000	2019 $'000
Depreciation expense of non-current assets:		
Depreciation of property, plant and equipment	3,740	4,457
Depreciation of right-of-use assets	1,187	-
Total depreciation of non-current assets	**4,927**	**4,457**
Employee benefits expense:		
Salaries and wages expenses	9,978	10,047
Superannuation benefits	751	797
Government grants - JobKeeper	(880)	-
Share-based payments expense	671	306
Employee benefits expenses capitalised to agricultural produce and bearer plants	(1,585)	(2,034)
Total employee benefits expense	**8,935**	**9,116**

	2020 $'000	2019 $'000
Business restructuring costs:		
Redundancies (i)	77	-
Professional fees and other (ii)	181	-
Total business restructuring costs	**258**	-

(i) Redundancies relates to restructure of the executive and operations teams. These items are excluded from the 'employee benefits expense'.
(ii) Professional fees comprise of costs associated with the business restructuring.

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5. Expenses (Continued)

	2020 $'000	2019 $'000
Finance costs:		
Interest on banking facilities	2,465	2,395
Interest on lease liabilities – right-of-use assets (Colignan property)	1,156	2,777
Interest on lease liabilities – right-of-use assets (other)	207	-
Bank facilities modification loss	389	-
Capitalised interest relating to qualifying assets	(563)	(1,335)
Total finance costs	**3,654**	**3,837**
Impairment of non-current assets:		
Bearer plants	696	-
Total impairment of non-current assets	**696**	**-**
Revaluation loss on properties and assets held for sale:		
Land, bearer plants and properties	2,162	-
Assets held for sale	995	-
Total revaluation loss on properties and assets held for sale	**3,157**	**-**
Expected credit losses	153	4

6. Loss on disposal of Colignan property under lease

	2020 $'000
Assets disposed	
Right-of-use assets	21,995
Property, plant and equipment – leasehold improvements (bearer plants)	10,572
Agricultural produce	2,156
Other assets	209
Liabilities extinguished	
Lease liabilities	(26,347)
Lease termination and disposal costs	
Surrender fees	1,325
Capital to be issued to Arrow	1,578
Restructuring and other costs	251
Loss on disposal of Colignan property under lease	**11,739**

On 11 December 2019, the Group reached an agreement with the landlord of the Colignan property, Arrow Funds Management ("Arrow"), to surrender control of the leased Colignan property back to Arrow in the property's condition at the surrender date for extinguishment of the Group's lease liabilities owned to Arrow.

In accordance with the terms of the lease surrender deed:

- The Group paid to Arrow a surrender fee in the amount of $1,324,750, comprising of:
  - o $824,750 paid from the proceeds of a bank guarantee; and
  - o $500,000 paid from the proceeds of the March 2020 capital raise.
- The Group issued Arrow with 5% of the issued share capital of the Company following the March 2020 capital raise.
- The Group entered into a 3 year off-take agreement for dried vine fruit grown on Colignan property. The Group has determined that the off-take agreement does not represent a lease.

7. Income tax

	2020 $'000	2019 $'000
Income tax expense		
Statement of profit or loss		
Current income tax		
Current income tax charge	-	-
Adjustments of current income tax of previous year	-	-
Deferred income tax		
Origination and reversal of temporary differences	-	-
Income tax benefit reported in the statement of profit or loss	-	-
Statement of comprehensive income		
Origination and reversal of temporary differences	-	-
Income tax expense reported in other comprehensive income	-	-
Reconciliation of tax benefit and the accounting loss:		
Loss before tax	(39,074)	(12,036)
Income tax benefit calculated at 30% (2019: 30%)	(11,722)	(3,611)
Non-deductible expenses for income tax purposes	864	46
Non-assessable income for income tax purposes	-	(42)
Other	-	-
Tax losses not brought to account	10,858	3,607
Adjustments of current income tax of previous year	-	-
Income tax benefit recognised in profit or loss	-	-

7. Income tax (Continued)

	2020 $'000	2019 $'000
Deferred tax liabilities		
Biological Assets	(523)	(616)
Property, plant and equipment	(961)	(3,462)
Right-of-use assets	(904)	-
Foreign exchange derivatives	-	(29)
	(2,388)	**(4,107)**
Deferred tax assets		
Provisions	332	194
Trade and other payables	386	673
Lease liabilities	1,019	1,181
Foreign exchange derivatives	91	-
Expenditure incurred but deductible over time	350	194
Income tax losses	141	1,811
Other	69	54
	2,388	**4,107**
Net deferred tax liability	-	-
Reconciliation of deferred taxes	-	-
Opening balance at 1 July	-	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income	-	-
Recognised directly in equity	-	-
Closing balance at 30 June	-	-

Carry forward income tax losses:

The Group has recognised a deferred tax asset at 30 June 2020 in relation to available carry forward tax losses to the extent that a net deferred tax liability is reduced to nil. The Group has not recognised a deferred tax asset in relation to all available carry forward tax losses it has generated. As a result the following gross tax losses (not tax effected at the statutory income tax rate) have not been brought to account.

	2020 $'000	2019 $'000
Gross income tax losses	84,437	40,194

The ability of the Group to utilise the carry forward income tax losses in the future years when taxable profit is generated will be subject to satisfaction of Australian statutory recoupment tests – the 'Continuity of Ownership Test', or failing this, the 'Same Business Test'.

8. Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	5,759	10,478
Allowance for expected credit losses	(233)	(181)
	5,526	10,297
Government grants receivable - JobKeeper	325	-
GST receivable	199	221
Other receivable	101	-
	6,151	**10,518**
Aging of trade receivables that are not impaired		
Not past due	4,814	8,147
Past due 1-30 days	655	1,637
Past due 31-60 days	42	252
Past due 61 days+	15	261
	5,526	**10,297**
Movements in the allowance for expected credit losses were:		
Opening balance at 1 July	181	212
Impairment loss recognised	153	4
Amounts written off	(101)	(35)
Closing balance at 30 June	**233**	**181**
Aging of allowance for expected credit losses at 30 June is as follows:		
Not past Due	151	-
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due 61 days+	82	181
	233	**181**

Trade receivables are non-interest bearing with credit terms generally settled within 30 days depending on the nature of the sales transaction.

A provision for impairment is made based on the expected credit losses ("ECL") for trade and other receivables. The Group has applied the simplified approach in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECL is determined based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment, further considering the Group's limited trading history.

Further Information about the credit risk exposure on the Group's trade and other receivables using a provision matrix has not been disclosed due to the expected credit losses being determined based on forward looking factors specific to the debtor and the economic environment as at 30 June 2020.

9. Inventories

	2020 $'000	2019 $'000
Packaging stock (at cost)	1,149	963
Raw materials (at cost or fair value less costs to sell at the point of harvest)	10,884	18,120
Finished goods (at lower of cost and net realisable value)	9,892	4,506
Provision for stock obsolescence	(1,136)	(1,320)
	20,789	**22,269**

10. Agricultural produce

	2020 $'000	2019 $'000
Citrus unharvested – at fair value less costs to sell	1,141	1,082
New season crop – at cost	602	972
Total	**1,743**	**2,054**
Reconciliation of changes in carrying amount		
Opening balance	2,054	2,621
Fair value (loss) / gain of agricultural produce	**(5,269)**	**(174)**
Increase due to costs incurred to maintain and enhance the biological asset	12,844	11,463
Derecognition on disposal of Colignan property under lease	(2,156)	-
Decreases due to harvest (transferred to inventory)	(5,730)	(11,856)
Closing balance	**1,743**	**2,054**

Product - Yields (tonnes)	2020 Tonnes	2019 Tonnes
Harvested prior to 30 June	4,019	6,748
Estimated hanging fruit at 30 June	2,047	1,900
Total	**6,066**	**8,648**

	2020 $'000	2019 $'000
Total crop value	**5,419**	**11,289**

The following are key inputs and assumptions used to determine the fair value less cost to sell at the point of harvest.

Assumption	Loose Organic ($/kg)	Loose Conventional ($/kg)	Table Grapes ($/kg)	Citrus ($/kg)	Wine grapes ($/kg)	Hemp ($/kg)
Fair value less costs to sell at point of harvest - 2020	2.07	1.50	1.91	0.59	0.53	2.90
Fair value less costs to sell at point of harvest - 2019	3.09	2.22	2.74	0.58	0.46	-

Valuation techniques and significant unobservable inputs

The fair valuation of agricultural produce is Level 3 in accordance with the fair value hierarchy, being substantially comprised of inputs to the agricultural produce that are not based on observable market data.

Type	Description	Valuation technique	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Harvested own grown inventory; Hanging crop (grapes/dried fruit and citrus)	These are crops from vines and trees that have an annual crop production cycle and a reasonably stable development cycle.	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the crop	Inclusive of: • Estimated future crop prices. • Estimated cash inflows based on forecasted sales. • Estimated yields per acre. • Estimated remaining farming, harvest, processing, transportation, and selling costs. • Risk adjustment factors	The estimated fair value would increase/ (decrease) if: • the estimated fruit prices were higher (lower); • the estimated yields per acre were higher (lower); • the estimated harvest farming, harvest, processing, transportation, and selling costs were lower (higher); or • the risk-adjustment factors were lower (higher).

11. Other financial assets

	2020 $'000	2019 $'000
Foreign currency forward contracts	-	99

12. Other assets

	2020 $'000	2019 $'000
Prepayments and other	773	992

13. Assets held for sale

	2020 $'000	2019 $'000
Property assets	5,379	6,361

Property assets (comprising property, plant and equipment) held for sale at 30 June 2020 relate to the Fifth Street property, which is considered a non-core asset.

During the year ended 30 June 2020, the property assets held for sale were revalued downwards by $0.995 million through the profit or loss (refer to Note 5).

The assets held for sale are measured at the lower of existing carrying value and fair value less costs to sell. Assets held for sale at fair value less costs to sell are classified as Level 3 with reference to the fair value hierarchy (refer to hierarchy detailed in Note 14).

14. Property, plant and equipment

	Freehold land at revalued amount $'000	Bearer plants at revalued amount $'000	Buildings and property improvements at revalued amount $'000	Leasehold improvements at cost $'000	Leased asset at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross Carrying amount							
Balance at 1 July 2018	**15,044**	**12,312**	**5,192**	**10,788**	**23,843**	**21,593**	**88,772**
Additions	-	1,726	37	4,300	1,391	679	8,133
Disposals	-	(196)	-	-	-	-	(196)
Balance at 1 July 2019	**15,044**	**13,842**	**5,229**	**15,088**	**25,234**	**22,272**	**96,709**
Additions	-	1,244	85	2,256	-	1,112	4,697
Transfer to right-of-use assets (Note 2(t))	-	-	-	(508)	(25,234)	-	(25,742)
Disposals	-	(114)	-	(13,787)	-	(1,033)	(14,934)
Impairment of bearer plants	-	(696)	-	-	-	-	(696)
Revaluation increment/ (decrement) through profit and loss	-	(2,292)	130	-	-	-	(2,162)
Revaluation increment/ (decrement) through asset revaluation reserve	1,229	(534)	(131)	-	-	-	564
Write-back of accumulated depreciation on revaluation	-	(1,078)	(323)	-	-	-	(1,401)
Balance at 30 June 2020	**16,273**	**10,372**	**4,990**	**3,049**	**-**	**22,351**	**57,035**

14. Property, plant and equipment (Continued)

	Freehold land at revalued amount	Bearer plants at revalued amount	Buildings and property improvements at revalued amount	Leasehold improvements at cost	Leased asset at cost	Plant and equipment at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment losses							
Balance at 1 July 2018	**-**	**-**	**-**	**(4,947)**	**(1,887)**	**(14,328)**	**(21,162)**
Depreciation expense	-	(531)	(154)	(51)	(949)	(2,777)	(4,462)
Disposal	-	5	-	-	-	-	5
Balance at 30 June 2019	**-**	**(526)**	**(154)**	**(4,998)**	**(2,836)**	**(17,105)**	**(25,619)**
Depreciation expense	-	(594)	(169)	(158)	-	(2,819)	(3,740)
Transfer to right-of-use assets (Note 2(t))	-	-	-	129	2,836	-	2,965
Disposal	-	42	-	2,981	-	890	3,913
Write-back of accumulated depreciation on revaluation	-	1,078	323	-	-	-	1,401
Balance at 30 June 2020	-	-	-	(2,046)	-	(19,034)	(21,080)
Net book value as at 30 June 2019	15,044	13,316	5,075	10,090	22,398	5,167	71,090
Net book value as at 30 June 2020	**16,273**	**10,372**	**4,990**	**1,003**	**-**	**3,317**	**35,955**

The carrying values of property, plant and equipment are assessed for impairment indicators annually, or more frequently if indicators of impairment are present. Refer to details of the impairment assessment performed for the year ended 30 June 2020 in Note 14.2.

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14.1 Fair value measurement of freehold land, buildings and bearer plants

The Group's freehold land, buildings and bearer plants are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

During the year, the Group capitalised $3.401 million (2019: $5.838 million) relating to the development of existing or new vineyards which are determined to still be in development, that is, these vines are yet to deliver commercial quantities of produce. Management deem vines less than three years of age as developing vines. The nature of these expenses include: the purchase of young vines, buds, irrigation infrastructure, trellising systems, and a proportionate allocation of operational vineyard expenses including water, fuels, vehicle costs, and labour. The proportionate allocation of operational vineyard expenses is based on the number of vineyard patches that are considered immature as per proportions of the total number of patches.

The fair value measurements of the Group's freehold land and buildings and bearer plants have been based on conditions existing and emerging as at 30 June 2020. The COVID-19 pandemic has created global economic and cultural shock that is affecting the lives and livelihoods of most Australians and those around the world. Market activity is therefore being impacted in many sectors.

The valuation methodologies adopted as at 30 June 2020 by Colliers International were the direct comparison and summation approaches which referenced certain comparable transactions that occurred prior to the onset of the COVID-19 pandemic. As a result, the valuations prepared by Colliers International have been reported based on a material valuation uncertainty. Less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. Given the unknown future impact the COVID-19 pandemic may have on the real estate market, Colliers International has recommended that valuations are kept under periodic review.

The inclusion of a material valuation uncertainty clause in the external valuations is consistent with the guidelines issued by the Australian Property Institute and highlights that while valuations can still be relied upon as at 30 June 2020, due to the uncertain impacts of COVID-19 there is a potential for significant and unexpected movements in value over a relatively short period of time post the valuations being performed.

The Group is confident that Australian agricultural asset valuations continue to remain largely unimpeded as at 30 June 2020.

The Group's freehold land, buildings and bearer plants are classified as Level 3 with reference to the fair value hierarchy.

Fair value measurement

The fair value measurements of the Group stated above refer to the fair value hierarchy. These include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year ended 30 June 2020 (2019: Nil).

14.2 Impairment assessment

During the current year ended 30 June 2020, the Group incurred a loss before tax of $39.074 million and performed an impairment assessment of the CGU (containing non-current assets). This was after the recognition of a specific $0.696 million impairment charge on bearer plants at 31 December 2019 following a review of the Group's farming operations.

The recoverable amount of the CGU has been determined based on a Fair Value less Costs of Disposal ("FVLCD") methodology which requires the use of assumptions. The FVLCD methodology utilises primarily Level 3 inputs within the fair value hierarchy and applies cash flow forecasts based on financial projections by management covering a 10-year period.

The Directors believe the use of the FVLCD methodology and 10 year period is appropriate to reflect: (1) the turnaround performance of the Group from its current position; (2) the cash flows from key assets are achieved over an extended period of time; and (3) the organic and 'better-for-you' food industry is forecast to grow at a rate in excess of inflation for an extended period.

The estimate of the recoverable amount of the CGU is based on conditions existing and emerging as at 30 June 2020, including the Group's assessment of the future impacts of the COVID-19 pandemic, which is impacting the markets within which the Group operates to varying degrees.

Based on the assessment, no impairment charge was recorded during the year ended 30 June 2020.

A summary of key assumptions and inputs within the impairment assessment are detailed below.

- Operating cash flow forecasts, consisting of:
  - Sales: Sales are forecast to grow at a compound annual growth rate of approximately 18% per annum for FY21 to FY25 and then 6% per annum for FY25 to FY30, reflecting management's assessment of growth in demand, availability of product from its farms and supply from third party producers.
  - Inventory and operating costs: Inventory costs are forecast to grow in accordance with sales and equate to 63%-67% of sales across the forecast period. A significant proportion of the Group's farm, processing and administrative costs are considered to be relatively fixed in nature and forecast to increase by an inflationary indexation.

A decrease to the annual forecast net operating cash inflows by 14% would potentially result in an impairment.

- Capital expenditure: Modest capital expenditure is expected over the forecast period, reflecting the Group's rationalised farming footprint and minimal vine development after FY21.
- Long term growth rate: 2.5%
- Discount rate: A pre-tax discount rate of 16.5%, has been used reflecting the extended period of the forecast and inherent risks. An increase in the pre-tax discount rate to 19.3% (+2.7%) would potentially result in an impairment.

The recoverable amount is most sensitive to the operating cash flow forecasts and the discount rate. As highlighted above, an adverse change to these inputs could result in an impairment of the CGU.

15. Trade and other payables

	2020 $'000	2019 $'000
Trade payables	3,634	3,872
Other accruals and payables	3,678	4,782
Deferred income	18	87
Total	**7,330**	**8,741**

16. Borrowings

	2020 $'000	2019 $'000
Current		
Secured borrowings:		
Bank and trade finance loans (i)	10,000	(71)
Equipment loans (ii)	1,607	1,739
Lease liabilities – Colignan property (iii)	-	2,492
Total	**11,607**	**4,160**
Non-current		
Secured borrowings:		
Bank and trade finance loans (i)	28,690	37,903
Equipment loans (ii)	1,913	3,460
Lease liabilities – Colignan property (iii)	-	23,741
Total	**30,603**	**65,140**

The bank financing facilities (comprising term loans, equipment finance and other facilities) with the National Australia Bank are secured by the Group's assets by registered mortgage freeholds over the land and buildings, and first ranking fixed and floating charges over the Company and its subsidiaries (with corresponding cross guarantee). The multi-option banking facilities expire on 30 November 2021.

(i) Bank and trade finance loans

On 29 August 2019, the Group renegotiated its financing arrangements by accelerating the drawdown of its total multi-option banking facility with the total limit available under the multi-option facility as follows:

- $50.000 million by 30 November 2019;
- $53.000 million by 31 January 2020; and
- the full $55.000 million facility by 30 April 2020.

On the 27 December 2019, the Group entered into an Amending Deed in relation to its banking facilities with its financier. The amended banking facilities provide the Group with access to accelerated drawdowns on the term loan facility comprising of:

- $2.000 million drawdown available from 1 January 2020; and
- $2.000 million available from 1 February 2020.

On 6 February 2020, the Group reached a further agreement with its financier in relation to amendments to its banking facilities. The amended banking facilities requires the Group to comply with certain additional undertakings and other obligations which include:

- execution of an underwriting agreement for a capital raising of at least $25.0 million by no later than 7 February 2020 and completion of the $25.000 million capital raise in accordance with an agreed timetable set out in the Prospectus issued on 6 February 2020;
- making minimum principal repayments on the term loan facility of $4.0 million by 31 March 2020, $7.5 million by 30 November 2020, and $2.5 million by 30 June 2021 (or, in respect of each repayment date, such later date as may be agreed between the parties). Following the repayments, the term loan facility will be permanently reduced to $40.000 million. Proceeds realised from asset sales in excess of the minimum repayments must be repaid.

The Group successfully executed the required underwriting agreement and completed a pro-rata accelerate renounceable entitlement offer of new fully paid ordinary shares at an offer price of 1.5 cents per share to raise $25.004 million (or $22.039 million net of transaction costs) in March 2020.

(ii) Equipment loans

Equipment loans are secured over the assets under the financing arrangements.

(iii) Lease liabilities – Colignan property

The Colignan property lease liability was secured by the underlying leased asset which had a carrying value of $22.398 million at 30 June 2019. In December 2019, the Group reached an agreement with the landlord of the Colignan property, Arrow Funds Management ("Arrow"), to surrender control of the leased Colignan property back to Arrow in the property's condition at the surrender date for extinguishment of the Group's lease liabilities owned to Arrow (refer to Note 6).

Banking facilities

	2020 $'000	2019 $'000
Summary of financing arrangements		
Facilities limit at reporting date:		
Bank overdraft	-	-
Equipment loans	7,500	7,300
Bank loans	50,000	38,000
Bank guarantee	1,530	1,285
	59,030	**46,585**
Facilities utilised at reporting date:		
Bank overdraft	-	-
Equipment loans	3,520	5,199
Bank loans	38,825	37,997
Bank guarantee	460	1,285
	42,805	**44,481**
Facilities not utilised at reporting date:		
Bank overdraft	-	-
Equipment loans	3,980	2,101
Bank loans	11,175	3
Bank guarantee	1,070	-
	16,225	**2,104**

17. Provisions

	2020 $'000	2019 $'000
Current		
Employee entitlements	530	591
Total	**530**	**591**
Non-Current		
Employee entitlements	68	57
Make-good for property leases	508	508
Total	**576**	**565**

18. Other financial liabilities

	2020 $'000	2019 $'000
Foreign currency forward contracts	303	-

19. Contributed equity

Equity securities issued	Year ended 30 June 2020		Year ended 30 June 2019	
	Number $'000	$'000	Number $'000	$'000
Opening balance at 1 July	**433,761**	**150,888**	**127,577**	**123,832**
Issue of shares on capital raising	1,666,944	25,004	306,184	30,618
Issue of shares to Arrow	105,036	1,578	-	-
Equity raising costs (net of tax)	-	(2,965)	-	(3,562)
Closing balance at 30 June	**2,205,741**	**174,505**	**433,761**	**150,888**

On 4 March 2020, a 3.843 for 1 accelerated pro-rate renounceable entitlement offer of 1,666.944 million new fully paid ordinary shares was completed, raising proceeds of $25.004 million before taking into account equity raising costs recorded in equity of $2.965 million for the year ended 30 June 2020. Furthermore, 105.036 million shares (comprising 5% of the Company's issued share capital) were issued to Sandhurst Trustees Limited (ATF Arrow Primary Infrastructure Fund) as part of the agreement to surrender control of the leased Colignan property (refer to Note 6).

On 24 October 2018, a 2.4 for 1 accelerated pro-rate renounceable entitlement offer of 306.184 million new fully paid ordinary shares was completed, raising proceeds of $30.618 million before taking into account equity raising costs recorded in equity of $3.562 million for the year ended 30 June 2019.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

20. Reserves

		2020 $'000	2019 $'000
Reserves comprise:			
Asset revaluation reserve	(a)	7,345	6,781
Share based payment reserve		1,610	939
Hedging reserve		(353)	47
Group reorganisation reserve		(47,453)	(47,453)
		(38,851)	**(39,686)**
(a) Asset revaluation reserve			
Balance at the beginning of the year		6,781	6,781
Net revaluation gain – property, plant and equipment		564	-
Net tax impact of revaluation gain or loss		-	-
Balance at the end of the financial year		**7,345**	**6,781**

21. Share based payments

The Group provides benefits to its employees in the form of share-based payment transactions, whereby services are rendered in exchange for performance rights or share options ("equity-settled transactions").

The fair value of performance rights or share options are recognised as an expense with the corresponding increase in equity (share-based payments reserve). When the share-based payments vest, they are transferred to contributed equity. The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options.

Performance rights

The following is a summary of the performance rights granted and on issue during the year ended 30 June 2020.

In conjunction with the capital raise dated 24 October 2018, the Board reinstated the Group's Long Term Incentive ("LTI") Plan with new vesting conditions. The LTI Plan offers eligible employees (including KMP executives) selected by the Board to subscribe for, or be granted, performance rights.

In FY19, performance rights were granted to Valentina Tripp and Albert Zago under the FY19 LTI Plan at nil consideration. The performance rights will vest subject to achieving a Total Shareholder Return ("TSR") Compound Annual Growth Rate ("CAGR") over the performance period, which is a 3 year period from the date of grant. The relevant employee is also required to remain in continuous employment with the Group for 3 years from the grant date.

Prior to the reinstated LTI Plan with new vesting conditions, the Group had issued the following performance rights:

- Following the listing of the Company on the Australian Securities Exchange in December 2016, certain key management personnel were granted 1,153,845 performance rights for nil consideration as a 'one-off retention payment'. The performance rights will vest on 30 June 2019 provided that the relevant employees satisfy a service condition to remain in continuous employment with the Group from grant date until 30 June 2019. There are no performance conditions or other vesting conditions attached to the one-off retention payment performance rights.

  On 24 August 2017, the Board approved a modification to the 1,153,845 one-off retention performance rights to include a share price hurdle performance condition that the volume-weighted average price of the Company's shares on the Australian Securities Exchange, calculated over the 20 day trading period commencing from and including the date which is two weeks after the date on which the Company lodged its preliminary annual report with the Australian Securities Exchange for the year ended 30 June 2019, is equal to or greater than $1.30. This modification did not result in an increase in fair value of the performance rights. This modification extends the vesting date of the performance rights to 4 October 2019. The Company's share price at the date of modification was $0.35.
- Certain key management personnel were also issued separate tranches of performance rights for nil consideration. The performance rights vest if the service and performance conditions are met. The service condition requires the relevant employees to remain in continuous employment with the Group from grant date until 30 June 2019. The performance rights are subject to an earnings per share ("EPS") performance condition (non-market based condition) and a share-price growth ("SPG") performance condition (market based condition).The SPG performance condition is based on the Company's SPG on a compound basis over the relevant performance period. The opening share price on which this is to be measured is the offer price under the initial public offering ($1.30) and the closing price is the volume weighted average price of the company's shares over the 30-day period to 30 June 2019.
  - 250,264 performance rights were granted subject to an EPS performance condition.
  - 250,264 performance rights were granted subject to a SPG performance condition.
  - During the year ended 30 June 2019, certain employees previously granted performed rights forfeited 57,956 (EPS performance condition) and 57,956 (SPG performance condition) performance rights when performance conditions were not achieved.

The fair value of each performance right is estimated at the grant date by taking into account the terms and conditions upon which the performance rights were granted. There were no grants of performance rights during the year ended 30 June 2020. The fair value of the performance rights on issue during the year ended 30 June 2020 was previously estimated on the grant date using the following assumptions:

	Valentina Tripp
	LTI
Valuation model	Binomial
Dividend yield	0.0%
Expected volatility	90.0%
Risk-free interest rate	2.12%
Expected life of performance rights	3.0 years
Exercise share price	Nil
Fair value of performance rights at grant date (per performance right)	**$0.054**

Information with respect to the number of performance rights granted is as follows:

2020	Balance at 1 Jul 19	Granted	Exercised	Forfeited	Balance at 30 Jun 20	Exercisable at 30 Jun 20
LTI 2019 Grant	3,226,563	-	-	901,112	2,325,451	-
Former LTI – Retention	384,615	-	-	384,615	-	-
Total	**3,611,178**	**-**	**-**	**1,285,727**	**2,325,451**	**-**

2019	Balance at 1 Jul 18	Granted	Exercised	Forfeited	Balance at 30 Jun 19	Exercisable at 30 Jun 20
LTI 2019 Grant	-	3,226,563	-	-	3,226,563	-
Former LTI – Retention	384,615	-	-	-	384,615	-
Former LTI – EPS	57,956	-	-	57,956	-	-
Former LTI – SPG	57,956	-	-	57,956	-	-
Total	**500,527**	**3,226,563**	**-**	**115,912**	**3,611,178**	**-**

The weighted average fair value of the performance rights granted during the year ended 30 June 2020 was nil (2019: $0.19).

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2020 was 1.39 year (2019: 2.14 years).

Share options

Retention Incentive – Current Chief Executive Officer and Managing Director: Valentina Tripp

Upon employment with the Group in April 2018, Valentina Tripp was granted 6,000,000 share options over three separate equal tranches for nil consideration subject to the approval by shareholders at the Company's 2018 Annual General Meeting. Prior to the 2018 Annual General Meeting, the Retention Incentive options with a grant date of 16 April 2018 were forfeited and replaced with new Retention Incentive options following the capital raise dated 24 October 2018. These new Retention Incentive options were approved and granted at the 2018 Annual General Meeting on 22 November 2018.

The share options will vest provided Ms Tripp satisfies a service condition to remain in continuous employment with the Group until the vesting date of each tranche being 16 April 2019, 16 April 2020 and 16 April 2021. There are no performance conditions or other vesting conditions attached to the share options. Following the March 2020 capital raise, the exercise prices of these share options were adjusted in accordance with the original terms of the grant (refer below).

Capital Raise - Director Options

On completion of the capital raise dated 24 October 2018, subject to shareholder approval, each Non-Executive Director at the time of the capital raise (Andrew Monk, Keith Mentiplay and Michael Porter) were to receive 1,000,000 options for nil consideration with an exercise price of $0.10 cents per option and expiring on 22 November 2021. These options were approved and granted at the 2018 Annual General Meeting on 22 November 2018, vesting immediately. Following the March 2020 capital raise, the exercise prices of these share options were adjusted in accordance with the original terms of the grant (refer below).

Capital Raise - Advisor Options

EM Advisory was granted 3,825,000 options for nil consideration on 1 November 2018 after the successful completion of the capital raised dated 24 October 2018, vesting immediately. Each option

entitles EM Advisory to subscribe for one share at an exercise price of $0.10 per option prior to the expiry date which is 3 years after their grant date being 1 November 2021. Following the March 2020 capital raise, the exercise prices of these share options were adjusted in accordance with the original terms of the grant (refer below).

The fair value of each share option is estimated at the grant date by taking into account the terms and conditions upon which the share options were granted. The fair value of the share options granted and on issue during the year ended 30 June 2020 was estimated using the following assumptions:

	Valentina Tripp (Granted 22 November 2018) (i)			Non-Executive Directors	Advisor Options
	Tranche A	Tranche B	Tranche C		
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	90%	90%	90%	90%	90%
Risk-free interest rate	2.08%	2.17%	2.27%	2.12%	2.12%
Expected life of share options	3.0 years	4.0 years	5.0 years	3.0 years	3.0 years
Exercise share price (ii)	$0.068	$0.148	$0.238	3.0	$0.088
Fair value of share options at grant date (per share option)	**$0.0429**	**$0.0397**	**$0.0401**	**$0.0478**	**$0.0539**

(i) The Retention Incentive options with a grant date of 16 April 2018 were forfeited and replaced with new Retention Incentive options (grant date of 22 November 2018) following the capital raised dated 24 October 2018.

(ii) The exercise prices of share options were adjusted following the March 2020 capital raise and the exercise prices as at 30 June 2020 are reflected in the table above. This adjustment was made under the original terms of the options and did not result in a modification to the fair values as previously determined at grant date.

Information with respect to the number of share options granted is as follows:

	2020 Number	2019 Number
Outstanding balance at the beginning of the year	24,825,000	6,000,000
- Granted	-	24,825,000
- Forfeited	(2,000,000)	(6,000,000)
- Exercised	-	-
- Expired	-	-
Outstanding balance at the end of the year	**22,825,000**	**24,825,000**

The weighted average fair value of the share options granted during the year ended 30 June 2020 was nil (2019: $0.044).

The weighted average remaining contractual life of share options outstanding as at 30 June 2020 was 1.70 years (2019: 2.68 years).

22. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdraft. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2020 $'000	2019 $'000
Cash and cash equivalents	1,129	1,214
Bank Overdraft	-	-
	1,129	**1,214**

(b) Reconciliation of loss for the year to net cash used in operating activities

	2020 $'000	2019 $'000
Loss for the year	(39,074)	(12,036)
Adjustment for items not involving the outlay of cash:		
Expected credit losses	52	(31)
Profit on sale of property, plant and equipment	(21)	(140)
Government grants receivable - Job Keeper	(325)	-
Fair value loss of agricultural produce	5,269	174
Revaluation of properties and assets held for sale	3,157	-
Loss on disposal of Colignan property under lease	11,739	-
Share based payment expense	671	306
Unrealised foreign exchange loss	3	(28)
Depreciation expense	4,927	4,457
Impairment of non-current assets	696	-
Capitalisation of borrowing costs	(563)	(1,335)
Non-cash finance costs	289	661
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	4,641	(3,731)
Inventories	1,480	(6,075)
Other assets	(3)	327
Agricultural produce	(7,112)	393
Increase / (decrease) in liabilities:		
Trade and other payables	(1,200)	(3,277)
Provisions	(49)	(149)
Net cash used in operating activities	**(15,423)**	**(20,484)**

(c) Reconciliation of liabilities arising from financing activities

2020	1 July 2019	Financing cash inflows / (outflows)	Non-cash changes	30 June 2020
Bank loans	37,832	569	289	38,690
Equipment loans	5,199	(1,679)	-	3,520
Total liabilities from financing activities	**43,031**	**(1,110)**	**289**	**42,210**

2019	1 July 2018	Financing cash inflows / (outflows)	Non-cash changes	30 June 2019
Bank loans	35,122	2,664	46	37,832
Equipment loans	5,944	(745)	-	5,199
Total liabilities from financing activities	**41,066**	**1,919**	**46**	**43,031**

The reconciliation of lease liabilities is disclosed in Note 2(t).

23. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 16 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings / (accumulated losses).

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables and pay for other financial instruments.

Gearing ratio

The Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board considers the cost of capital and the associated risks. Based on recommendations of the Board, the Group will balance its overall capital structure through new share issues and the issue or repayment of debt to execute its strategic plans.

Key net debt metrics are included in the following table:

	2020 $'000	2019 $'000
Net debt (including Colignan property leases)	41,081	68,215
Net bank debt (excluding Colignan property leases)	41,081	41,982
Net debt / equity (including Colignan property leases)	200%	193%
Net bank debt / equity (excluding Colignan property leases)	200%	119%
Equity	20,588	35,436

(b) Categories of financial instruments

The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for receivables.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	1,129	1,214
Trade and other receivables	6,151	10,518
Derivative instruments in designated hedge accounting relationships	-	99
Financial liabilities		
Trade and other payables	7,330	8,741
Borrowings	42,210	69,429
Lease liabilities	3,396	-
Derivative instruments in designated hedge accounting relationships	303	-

(c) Financial risk management objectives

The Group's finance function provides services to the business by monitoring and managing the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations on anticipated sales and purchases or where it has entered into fixed price contracts.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies approved by the Board of Directors. The Chief Financial Officer (or his delegate) is responsible for managing the Group's treasury requirements in accordance with this policy.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer Notes 23(c) and 23(d)).

(e) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Where appropriate, exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts or by offsetting import and export currency exposures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Currency of USA	6	274	801	801
Currency of Europe	-	-	-	-
Currency of Canada	-	-	173	12

Forward foreign currency contracts

The Group enters into forward foreign currency contracts to hedge a proportion of anticipated inventory purchase commitments denominated in foreign currencies, principally US Dollars ("USD") expected in each month. Forward foreign currency contracts are timed to mature when payments are scheduled to be made. These derivatives have met the requirements to qualify for hedge accounting with movements recorded in other comprehensive income accordingly.

The following table sets out the details of forward foreign currency contracts for highly probable forecast transactions of the Group that are recorded as 'other financial assets' in the statement of financial position.

	Weighted average		Foreign currency FC'000		Contract value $'000		Fair value gain/(loss) $'000	
	2020	2019	2020	2019	2020	2019	2020	2019
Buy USD – less than one year	0.6590	0.7118	6,036	6,256	9,161	8,790	(400)	(71)

During the years ended 30 June 2019 and 2020, the unrealised gains/(losses) have been recorded in the Hedging Reserve to the extent the hedge is effective. There was no hedge ineffectiveness arising from the Group's foreign currency hedging strategy during the year ended 30 June 2020 (2019: nil). This is due to inventory purchases in USD exceeding the notional amount of forward currency contracts taken out and maturing when payments are scheduled.

The total hedging gain/(loss) recognised in other comprehensive income during the year ended 30 June 2020 was ($0.400) million (2019: ($0.071) million). The total amount reclassified from other comprehensive income to 'raw materials, consumables used and farming input costs' in profit or loss during the year ended 30 June 2020 was $0.071 million (2019: $0.169 million).

Foreign currency sensitivity analysis

The Group is mainly exposed to USD currency. The following table details the Group's sensitivity to a 5 cent increase and decrease in the Australian dollar against the relevant foreign currency. The analysis includes derivative instruments in designated hedge accounting relationships, all trade receivables and trade payables outstanding at year end.

	USD Impact		EUR Impact		CAD Impact	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit	1	26	-	-	-	1
Equity	79	11	-	-	9	-

(f) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates.

The following table details the Group's exposure to interest rate and liquidity risk. The table includes both interest and principal cash flows.

2020	Weighted average interest rate	Less than 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Financial assets					
Variable interest rate instruments:-					
Cash	Floating	1,129	-	-	1,129
Non-interest bearing:					
Trade receivables	-	6,151	-	-	6,151
		7,280	**-**	**-**	**7,280**
Financial liabilities					
Variable interest rate instruments:					
Equipment loans	5.30%	1,754	2,007	-	3,761
Borrowings	5.31%	12,062	29,690	-	41,752
Lease liabilities	5.74%	716	2,627	616	3,959
Non-interest bearing:					
Trade creditors		7,330	-	-	7,330
		21,862	**34,324**	**616**	**56,802**

2019	Weighted average interest rate	Less than 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Financial assets					
Variable interest rate instruments:-					
Cash	Floating	1,214	-	-	1,214
Non-interest bearing:					
Trade receivables	-	10,518	-	-	10,518
		11,732	**-**	**-**	**11,732**
Financial liabilities					
Variable interest rate instruments:					
Equipment loans	5.08%	1,968	3,694	-	5,662
Borrowings	11.63%	2,492	10,593	64,062	77,147
Lease liabilities	5.45%	2,072	40,943	-	43,015
Non-interest bearing:					
Trade creditors		8,741	-	-	8,741
		15,273	**55,230**	**64,062**	**134,565**

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At the reporting date, if interest rates had of been 0.5% higher or lower and all other variables held constant, there would be a $0.183 million (2019: $0.190 million) effect on the Group's loss for the period. This is attributable to the Group's exposure to interest rates on its variable rate borrowings (excluding the Colignan property and equipment loans). The Group's sensitivity to interest rates remained consistent to the prior year with all bank borrowings (excluding equipment leases) being outstanding variable rate debt instruments.

(g) Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate values of transactions concluded are spread amongst approved counterparties. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist of a number of customers supplying the retail and wholesale sectors in Australia and internationally. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate letters of credit are obtained for international customers.

The Group has credit risk exposure with the top 10 credit customers representing 74% (2019: 74%) of the total trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking accounts of the value of any collateral obtained.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate available banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and liabilities recorded in the financial statements approximate their fair values.

The fair values and net fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices, which is a Level 2 fair value measurement. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

24. Key management personal compensation

The compensation made to Directors and other members of key management personnel of the Group is set out below:

	2020 $	2019 $
Short-term employee benefits	1,008,198	1,136,288
Post-employment benefits	75,830	65,113
Long term employee benefits	-	-
Termination payments	123,310	-
Equity settled share-based payments	644,143	150,560
Total	**1,851,481**	**1,351,961**

25. Remuneration of auditor

	2020 $	2019 $
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	217,034	222,500
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
- Capital raise - investigating accountant	114,000	114,000
- Capital raise - other review services	111,000	-
Fees for other services		
- Factual research services	-	147,200
- Other advisory services	-	14,832
Total fees to Ernst & Young (Australia)	**442,034**	**498,532**
Total Auditor's Remuneration	**442,034**	**498,532**

The auditor of Murray River Organics Group Limited is Ernst & Young. During the year ended 30 June 2020, services other than the 'audit or review of the financial report' predominately included investigating accountants report in relation to the capital raise and other review services during the year.

26. Contingent liabilities

Contingent liabilities include guarantees totalling $0.460 million (2019: $1.285 million) provided in respect of property leases.

27. Segment information

The Group operates in one industry being the production of food and food products within Australia. All of the Group's revenue is attributable to this group of products. Approximately 88% of the Group's revenue is attributed to domestic customers, and the remainder relates to exports to Asia (8%), Europe (3%), and others (1%).

The chief operating decision maker (being the Managing Director) regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief operating decision maker is the same as the information presented in the statement of financial position, statement of profit and loss and other comprehensive income and statement of cash flows.

During the year ended 30 June 2020, the Group generated gross sales revenue from two customers amounting to $17.338 million and $5.338 million being 34% and 11% respectively of the Group's total sales revenue.

28. Earnings per share

(a) Basic earnings per share

Basic earnings per share ("EPS") is determined by dividing profit for the year after income tax attributable to members of the Group, excluding any costs of servicing equity other than share, by the weighted average number of share outstanding during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to security holders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of performance rights issued). Prior year earnings per share was adjusted for current year share splits.

28. Earnings per share (continued)

	2020 Cents Per Share	2019 Cents Per Share
Basic earnings per share	(4)	(4)
Diluted earnings per share	(4)	(4)
Earnings used to calculate basic and diluted earnings per share		
Loss for the year attributable to equity holders of Murray River Organics Group: $`000	(39,074)	(12,036)

	2020 Number of Shares	2019 Number of Shares
Weighted average number of share outstanding during the year used in calculating basic earnings per share	1,006,619,889	330,581,136
Weighted average number of performance rights and options on issue	27,578,249	17,574,799
Weighted average number of share outstanding during the year used in calculating dilutive earnings per share	1,034,198,138	348,155,935

The weighted average number of performance rights and options on issue are not included in the measurement of the diluted earnings per share as they are considered to be anti-dilutive.

29. Obligations under commitments

The Group enters into short term contractual arrangements relating to temporary water entitlements. These commitments are as follows:

	2020 $'000	2019 $'000
Not later than one year	700	1,039
Later than one year and not later than five years	2,801	2,801
Later than five years	-	700
	3,501	4,540

30. Related party transactions

Transactions with key management personnel

There were no other transactions with key management personal for the year ended 30 June 2020.

Michael Porter was appointed as the Interim Senior Corporate Farms Manager effective 6 June 2018 at a daily rate of $1,600 plus GST, travel and accommodation expenses. As at 30 June 2019, $83,200, excluding GST was incurred in relation to consultancy services provided to the Group. This is not included in amounts provided to Mr Porter in his capacity as a KMP. Following the appointment of a full time farms manager, Michael Porter ceased to provide these interim services on 10 September 2018.

31. Controlled entities

	Country of incorporation	Percentage owned (%) 2019	2020
Parent entity:			
Murray River Organics Group Limited (i)	Australia	100	100
Subsidiaries of Murray River Organics Limited (ii) (iii)			
Murray River Organics Proprietary Limited	Australia	100	100
Murray River Organics Property Trust	Australia	100	100
Murray River Organics Property Trust 2	Australia	100	100
Murray River Organics Property Pty Ltd (ATF Murray River Organics Property Trust)	Australia	100	100
Murray River Organics Property 2 Pty Ltd (ATF Murray River Organics Property Trust 2)	Australia	100	100

i) Murray River Organics Group Limited is the head entity of the tax consolidated group after it was established on 1 July 2017.
(ii) These companies are members of the tax consolidation group established on 1 July 2017.
(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Murray River Organics Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. The consolidated financial position and financial performance of these entities is the same as the controlled entities within the Group.

32. Parent entity financial information

	2020 $'000	2019 $'000
Balance sheet		
Current assets		-
Total assets	20,588	33,936
Current liabilities	-	-
Total liabilities	-	-
Net Assets	**20,588**	**33,936**
Equity		
Issued capital	174,505	150,888
Reserves	1,610	940
Accumulated losses	(155,527)	(117,892)
Total equity	**20,588**	**33,936**
Loss for the year	(37,493)	(12,248)
Other comprehensive income	-	-
Total comprehensive income	**(37,493)**	**(12,248)**

33. Events subsequent to reporting date

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Additional Australian Securities Exchange information as at 4 August 2020

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. General Information

Principal Registered Office	Share Registry
Murray River Organics Group Limited 32 Crompton Way Dandenong South Victoria 3175 Telephone: 03 8792 8500 www.murrayriverorganics.com.au	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford Victoria 3067 Telephone Australia 1300 555 159 Telephone Overseas +61 3 9415 4062 www.computershare.com.au

2. Substantial Shareholders

The following holders are registered by MRG as a substantial holder, having declared a relevant interest in accordance with the *Corporations Act 2001* (Cth), in the voting shares below:

Holder Name	Date of interest	Number of ordinary shares [1]	% of issued capital [2]
Thorney Opportunities Ltd / TIGA Trading Pty	4 March 2020	940,763,744	42.65%
Regal Funds Management Pty Ltd (RFM)	4 March 2020	436,353,451	19.78%
UBS Group AG and its related bodies corporate	2 July 2020	125,510,569	5.69%
Sandhurst Trustees Limited ACF Arrow Primary Infrastructure Fund	4 March 2020	105,035,272	5.00%

1 As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2 The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

3. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	1,899
Performance Rights	1
Unlisted options over ordinary shares (Options)	3

4. Voting Rights

Securities	Voting Rights
Ordinary Shares	Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders: (a) each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative, (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.
Options	Options do not carry any voting rights.
Performance Rights	Performance Rights do not carry any voting rights.

5. Distribution Schedules

The distribution schedule for Ordinary Shares is as follows:

Spread of Holdings	Holders	Securities	%
1 - 1,000	121	43,917	0.00%
1,001 - 5,000	237	695,890	0.03%
5,001 - 10,000	189	1,482,808	0.07%
10,001 - 100,000	772	34,175,885	1.55%
100,001 over	580	2,169,342,210	98.35%
Totals	**1,899**	**2,205,740,710**	**100.00%**

The distribution schedule for Performance Rights is as follows:

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	0	0	0
100,001 over	1	2,325,451	100.00%
Totals	**1**	**2,325,451**	**100.00%**

The distribution schedule for Options is as follows:

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	0	0	0
100,001 over	3	22,825,000	100.00%
Totals	**3**	**22,825,000**	**100.00%**

6. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
4 August 2019	$0.013	941

7. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 85.14% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1	UBS NOMINEES PTY LTD	1,073,258,290	48.66
2	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	201,536,580	9.14
3	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	147,449,049	6.68
4	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	114,616,302	5.20
5	SANDHURST TRUSTEES LIMITED <ARROW PRIMARY INFRA FUNS>	105,035,272	4.76
6	URBAN LAND NOMINEES PTY LTD	36,488,787	1.65
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,297,083	1.42
8	GFS SECURITIES PTY LTD <GLENFARE SUPER FUND A/C>	29,255,292	1.33
9	CITICORP NOMINEES PTY LIMITED	20,731,851	0.94
10	LJ & K THOMSON PTY LTD <LJT & KT SUPER FINDA/C>	19,372,000	0.88
11	SPINITE PTY LTD	18,931,413	0.86
12	ARCHERFIELD AIRPORT CORPORATION PTY LTD	13,750,000	0.62
13	BALALAIKA PTY LTD & ELANDEN FAMILY NO 1	11,299,247	0.51
14	MR STEVEN DOUGLAS PRIEST	8,736,235	0.40
15	MR JACK FORD MOFFATT & MRS GLENYS NOLA MOFFATT <MOFFATT PENSION FUND A/C>	8,022,852	0.36
16	MR JACK FORD MOFFATT & MRS GLENYS NOLA MOFFATT <JF & GN MOFFATT SUPER FUND A/C>	8,017,166	0.36
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,850,325	0.36
18	WELLSEY PTY LTD	6,108,123	0.28
19	MRS KIM SORENSEN <SORENSEN FAMILY A/C>	5,931,794	0.27
20	BROWNLOW PTY LTD	5,000,000	0.23
20	LUDRICK PTY LTD <MERRELL INVESTMENT A/C>	5,000,000	0.23
	Total	**1,877,687,661**	**85.14%**

8. Restricted Securities

There are no shares on issue that are subject to voluntary escrow restrictions or mandatory escrow restrictions under ASX Listing Rules Chapter 9.

9. Performance Rights

The following unlisted performance rights are on issue:

Class	Number of securities	Number of Holders
Unlisted Performance Rights (subject to vesting conditions)	2,325,451	1
	2,325,451	**1**

All performance rights have been issued under the Company's employee incentive plan.

10. Unlisted Options

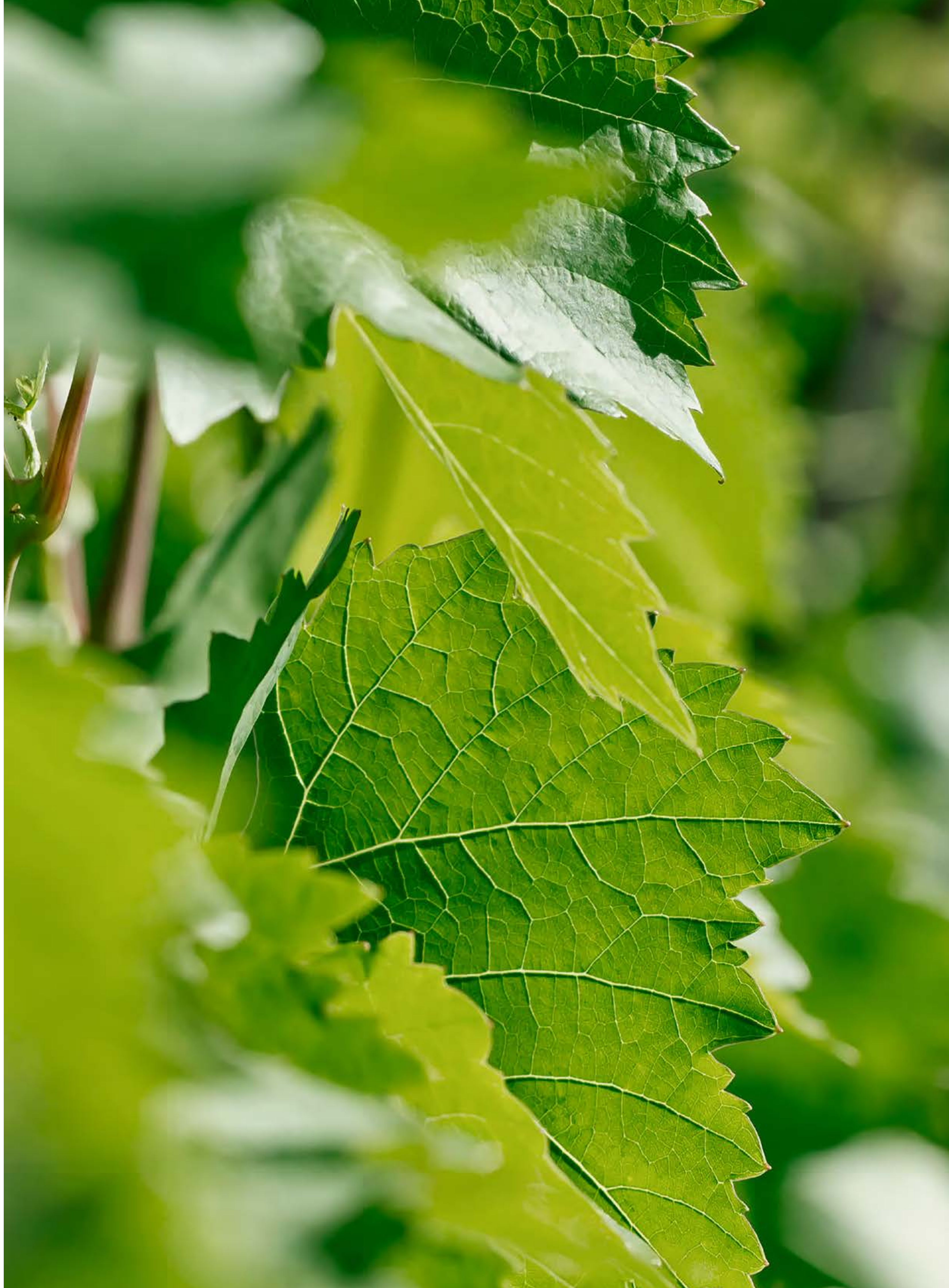
Class	Date of Issue	Date of Expiry	Exercise Price	Number of Options
Unlisted Options	01/11/2018	01/11/2021	$0.088	3,825,000
Unlisted Options	13/12/2018	16/04/2021	$0.068	6,000,000
Unlisted Options	13/12/2018	16/04/2022	$0.148	6,000,000
Unlisted Options (subject to vesting conditions)	13/12/2018	16/04/2023	$0.238	6,000,000
Unlisted Options	13/12/2018	22/11/2021	$0.068	1,000,000
				22,825,000

The following holder holds more than 20% of the Options on issue:

Holder Name	Securities	Percentage
Melbourne Management Group Pty Ltd <Melbourne Manage Group A/C>	18,000,000	78.86%

11. Share Buy-Backs

There is no current on-market buy-back scheme.



Murray River Organics Group Limited
ABN 46 614 651 473

Head Office
32 Crompton Way, Dandenong South,
VIC 3175 Australia

Contact
Telephone +61 3 8792 8500
info@murrayriverorganics.com.au
www.murrayriverorganics.com.au

Murray River Organics™