Appendix 4D and Interim Financial Report

for the half-year ended 31 December 2020

Name of entity

Murray River Organics Group Limited
ABN 46 614 651 473

Reporting period

Report for the half-year ended 31 December 2020 ('current period')
Previous corresponding period is the half-year ended 31 December 2019 ('previous period')

Results for announcement to the market
(All amounts in this report are expressed in $'000 unless otherwise stated)

Revenue from ordinary activities	Up	6.8%	to 26,503
Loss from ordinary activities after tax	Down	68%	to (7,510)
Loss after tax attributable to members	Down	68%	to (7,510)

Supplementary Comments
Please refer to the attached financial report for the half-year ended 31 December 2020 for an explanation of the above figures.

Interim Dividends (distributions)	**Amount per security (cents per share)**	**Franked amount per security (cents per share)**
Current period	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	Not Applicable	

Net tangible assets per security

	Current period Cents per Share	**Previous period (30 June 20) Cents per Share**
Net tangible asset backing per ordinary security	$0.006	$0.009

This half-year report should be read in conjunction with the most recent annual report.
This report is designed to meet the half-yearly reporting requirements and does not include the full disclosures as contained in the annual financial statements.

Murray River Organics Group Limited
ABN 46 614 651 473

Financial report for the half-year ended 31 December 2020

Contents

Directors' Report

The directors of Murray River Organics Group Limited (the Company) submit herewith the interim financial report of the Company and its subsidiaries (the Group) for the half-year ended 31 December 2020. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Name	
Mr Andrew Monk Non-Executive Independent Chairman	Appointed Non-Executive Director and Chairman on 24 January 2018
Ms Valentina Tripp CEO and Managing Director	Appointed Non-Executive Director on 16 April 2018 Resigned as CEO and Managing Director on 15 January 2021
Mr Paul McDonald Non-Executive Independent Director	Appointed Non-Executive Director on 22 May 2020
Dr Stuart McNab Non-Executive Independent Director	Appointed Non-Executive Director on 15 May 2020 Resigned as Director on 26 November 2020
Mr John Maher Non-Executive Independent Director	Appointed Non-Executive Director on 30 November 2020
Ms Naseema Sparks Non-Executive Independent Director	Appointed Non-Executive Director on 9 June 2020

Company Overview

The Group is a leading Australian manufacturer and seller of organic 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 operates a food manufacturing and distribution facility in Dandenong South, Victoria. From this site it packs and distributes an extensive range of organic and better-for-you food products under its own brands and for other retailers. In addition to our retail packing facility, the Group operates a processing plant in Mourquong NSW.

The Group's customers include domestic retail (sold in supermarkets and specialty retail under both Murray River Organics own brands and 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 and 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).

Review of operations

Despite the global challenges affecting 2020, we were able to increase sales, improve underlying EBITDA, and significantly improve our overall loss in the first half of FY21.

Our strategic focus is on building our Murray River Organics (MRO) branded retail presence and we achieved 30% growth in MRO branded retail compared to the prior half year period. Taking into account the strategic exit of lower margin, conventional, and private label contracts, our overall half year sales grew by over 6.8% on the prior year. Since our last update, we have successfully ranged a further 7 organic branded products, taking our current branded range to over 40 products.

Our wholesale and ingredients business also grew whilst our export sales remained relatively flat due to the poor 2020 dried vine fruit crop and delays in the launch of branded retail products as a result of COVID-19 issues.

We were not immune to the impacts of the global pandemic. Whilst our facilities remained open throughout, our revenues in Q1 were significantly affected, the impacts of which were partially softened by the Job Keeper grant, which the group received until September 2020.

With the effects of the prior-year's poor harvest still being felt by the group, the group continued to trade a loss although underlying EBITDA improved.

Asset Sale Program

As part of our strategy to exit non-core, non-organic farming assets and to de-risk our operations, the group announced the sale of the Fifth St property ($5.5m plus crops) and the Nangiloc fresh citrus and wine farm ("Nangiloc Part A - $4.5m"). The sales will realise approximately $10m.We are continuing to assess our farming footprint and expect to announce further initiatives in the second half of FY21. Settlement for Fifth Street occurred in December 2020, and settlement for Nangiloc Part A, whilst subject to a sub-division process, is nevertheless anticipated during 2021.

Proceeds from these sales has been and will be used to reduce the Group's debt, as required under our financing facility, and enable the group to narrow its focus on the delivery of our core MRO branded strategy, domestically and internationally.

The group is in the final stages of securing an extension of its banking facilities through until October 2022, refer to Note 10 for further details.

Financial Overview

	Dec 20 (i) $'000	Dec 19 (i) $'000	Change $'000	%
Revenue	26,503	24,814	1,689	6.81%
Underlying EBITDA-SL(ii) (loss)	(3,942)	(4,340)	398	9.18%
Reported loss after tax	(7,510)	(23,284)	15,774	67.74%
	Dec 20 (i) $'000	**Jun 20 (i) $'000**		
Working capital (iii)	17,495	19,609	(2,114)	(10.78%)
Net bank debt (iv)	40,482	41,081	(599)	(1.46%)
Gearing - Bank Debt (v)	304.5%	199.5%		
Net Tangible Assets per share (vi)	0.006	0.009	(0.00)	(33.04%)

(i) Unaudited non-IFRS financial table that has been compiled from the underlying reviewed condensed consolidated statement of profit or loss and other comprehensive income, and reviewed condensed consolidated statement of financial position

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

(iii) Trade and other receivables plus inventories less trade and other payables (excludes $4.050m relating to the settlement of the Nangiloc property as at 31 December 2020)

(iv) Net borrowings less right-to-use and Colignan property leases, loan modification adjustment and deferred borrowings costs

(v) Net bank debt divided by total equity

(vi) NTA excludes assets in use (under AASB 16 lease standard) however includes related lease liabilities

Reconciliation of Underlying EBITDA provided in the Directors' Report.

Revenue increased by 6.8% to $26.5m (HY20: $24.8m), with the following contributions:

- Our branded retail strategy continues to grow achieving a 30% increase on the prior half year, offset by a decline in lower margin, non-organic, private label contracts

- Our wholesale and ingredients business grew by 68% and has benefited from our strategic sourcing collaborations with our global agricultural partners.

- Export remained relatively flat impacted mainly due to a lower supply of light coloured or golden dried vine fruit from the 2020 harvest. The weather conditions prior to the 2020 crop harvest resulted in darker coloured specification of fruit which was not as marketable in the export markets. There were also some logistical challenges brought on by COVID-19 which softened the Export result.

- As a result of our strategic exit from non-core and conventional farms, sales of Fresh produce (citrus) were down by 12%.

Our reported loss has improved by 68%, mainly due to FY20 being impacted by farm write-downs and the exit of the Colignan lease, reflecting greater stability in FY21.

The Group anticipates to further deleverage the balance sheet in H2 FY21 as a result of our asset realisation program, as required by the finance facility arrangement.

	Dec 20 (i)	Dec 19 (i)	Change	
	$'000	$'000	$'000	%
Reported loss after tax	(7,510)	(23,284)	15,774	67.7%
Normalise for AASB 16 - lease standard	(358)	(480)	122	25.5%
Finance costs	1,464	2,694	(1,230)	45.7%
Depreciation & bearer plant impairment	1,144	2,753	(1,609)	58.4%
Fair value loss/(gain) on agricultural produce - SGARA	404	1,562	(1,158)	74.1%
Significant items				
Loss on disposal of Colignan	-	11,739	(11,739)	NMF
Accelerate recognition of employee share options	-	404	(404)	NMF
Restructuring costs	-	272	(272)	NMF
Loss on disposal of property	914	-	914	NMF
Underlying EBITDA-SL[(ii)] (loss)	(3,942)	(4,340)	398	9.2%

(i) Unaudited non-IFRS financial table that has been compiled from the underlying reviewed condensed consolidated statement of profit or loss and other comprehensive income

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

NMF means Not a Meaningful Figure

In assessing our underlying EBITDA, we have adjusted our leases expense to reflect the previous accounting standard treatment (AASB 117) as opposed to the impact under the current leases standard (AASB 16) as included in our reported loss after tax. In making this lease adjustment, it results in a favourable impact of $0.358 million in the underlying EBITDA loss of $3.942 million (HY20: loss of $4.340 million), an improvement of 9.2%.

Depreciation was $1.609 million lower and Finance costs were $1.230m lower than the corresponding period, mainly due to our exit from the Colignan lease.

A $0.914m accounting loss on the disposal of the Fifth Street and Nangiloc properties was recognised following recognition of a non-cash $0.263m fair value gain on the agricultural produce associated with those properties. The net impact of the sale of those properties was a $0.651m loss.

A fair value loss on agricultural produce ("SGARA") of $0.404 million was recognised for the current half-year, compared to a loss of $1.562 million in the corresponding period, representing a significant de-risking of the farming operations, as well as an expectation of a more favourable season in 2021 particular from lower farming costs. The 2020 season was heavily impacted by high water prices due to drought conditions. These conditions have now alleviated.

The statutory consolidated net loss after tax of the Group for the half-year ended 31 December 2020 was $7.510 million (HY20: Net loss after tax $23.284 million), which was impacted by the significant items detailed above. Consistent with treatment for the year ended 30 June 2020, Job Keeper payments received during the half year ended 31 December 2020 are considered part of underlying EBITDA.

Net bank debt, being total borrowings and cash at bank, excluding the Colignan property and right-of-use lease liabilities, loan modification adjustment and deferred borrowing costs, was $40.482 million compared to $41.081 million at 30 June 2020.

Working Capital	Dec 20 (ii) $'000	Dec 19 (ii) $'000	Change $'000	%
Trade and other receivables (i)	5,292	5,228	64	1.22%
Inventories	16,357	17,829	(1,472)	(8.26%)
Trade and other payables (iii)	(4,154)	(5,247)	1,093	(20.83%)
Working Capital	**17,495**	**17,810**	**(315)**	**(1.77%)**
Agricultural produce	2,967	4,894	(1,927)	(39.37%)
Working Capital incl Agricultural produce	**20,462**	**22,704**	**(2,242)**	**(9.87%)**

(i) Trade and other receivables as at 31 Dec 2020 excludes $4.050m of receivables relating to the settlement of the Nangiloc property

(ii) Unaudited non-IFRS financial table that has been complied from the reviewed condensed consolidated statement of financial position

(iii) Trade and other payables (excluding Colignan surrender lease payable)

Due to the seasonal nature of the operations, working capital at December 2020 is compared against December 2019 in the above table, and decreased by $0.315 million. This drop in working capital was mainly driven by lower inventory from a concerted effort to improve inventory turnover, offset by lower trade and other payables.

Agricultural produce decreased by $1.927 million from December 2019, reflecting the sale of the Nangiloc and Fifth Street properties.

Net cash outflows from “operating activities” for the current half-year was $5.529 million, being a $0.567 million improvement compared to the previous corresponding period, aided by $0.993 million of government grants (Job Keeper), which partially offset the lower turnover as a result of the COVID-19 pandemic.

Net cash inflows from “investing activities” for the current half-year was $6.443 million, mainly due to the settlement of the Fifth Street property in December 2020, of which $5.500 million was used to repay bank debt.

Outlook

Murray River Organics believes people want healthy, organic, ‘better-for-you’ food options. The Group’s goal is to provide that for its our customers through its competitive advantage of strong global strategic supply partners, state-of-the-art packing solutions, and vertical supply from its own select core farms. We are transforming the business into a sought-after and trusted organic brand, rather than relying on highly commoditised contract packing.

The Group is focused on growing its retail, domestic wholesale, and export businesses and while select core farms will support these initiatives, it will exit those properties which are considered to be non-core to the strategy. This will continue to de-risk the business and provide opportunity to further invest in the MRO brand.

We will also continue to improve operating efficiencies to deliver long-term value for shareholders.

Subsequent events

On 20 January 2021, the Group completed a consolidation of capital on a fifty (50) for one (1) basis, taking the number of fully paid ordinary shares to 44,115,143.

In February 2021, the Group reached an in principle agreement with its financier in relation to amendments to its banking facilities as detailed in Note 10 of the financial statements. This includes extending the facilities until 31 October 2022. The amended banking facilities requires the Group to comply with certain additional undertakings and other obligations which include:

- Making principal repayments in order to reduce the facility to $30.000 million on or prior to 30 April 2022; and
- Complying with revised financial banking covenants.

As at the date of this report, the Group is in final stages of executing this formal agreement.

Dividend

No dividends were paid or declared during the current half-year (2019: nil).

Auditor's independence declaration

The auditor's independence declaration, obtained in accordance with s.307C of the *Corporations Act 2001*, is included on page 8 of the half-year financial report.

Rounding off of amounts

The amounts contained in the Directors' report and in the interim condensed financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Director ____________________________
Andrew Monk
Chairman

26 February 2021

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

As lead auditor for the review of half-year financial report of Murray River Organics Group Limited for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

David Petersen
Partner

26 February 2021

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Independent auditor's review report to the members of Murray River Organics Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Murray River Organics Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2(c) in the half-year financial report which indicates that for the half-year ended 31 December 2020, the Group incurred a net loss of $7.510 million and net cash outflows from operating activities of $5.529 million. The Group has a net current asset deficiency of $15.131 million at 31 December 2020. These factors along with the other risks outlined in Note 2(c), indicate that 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.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne

26 February 2021

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; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standard AASB134 Interim Financial Reporting and giving a true and fair view of the financial position as at 31 December 2020 and performance for the half-year ended on that date of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Andrew Monk
Chairman

26 February 2021

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020

	Note	Half-year ended 31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue		26,503	24,814
Other income	3	102	197
Fair value (loss)/gain on agricultural produce		(404)	(1,562)
Change in finished goods		(2,389)	(856)
Raw materials, consumables used and farming input costs		(20,247)	(19,757)
Administration expense		(771)	(1,134)
Selling expenses		(521)	(478)
Employee benefits expense	4	(3,721)	(5,087)
Freight out and distribution expenses		(1,006)	(1,019)
Depreciation expense	5	(1,144)	(2,057)
Impairment of bearer plants		-	(696)
Other expenses		(1,534)	(1,216)
Finance costs	6	(1,464)	(2,694)
Loss on disposal of Colignan property under lease		-	(11,739)
Loss on disposal of farming assets	7	(914)	-
Loss before tax		**(7,510)**	**(23,284)**
Income tax expense		-	-
Loss for the half-year		**(7,510)**	**(23,284)**
Attributed to:			
Equity holders of the parent		**(7,510)**	**(23,284)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Net movement in cash flow hedges		146	(211)
Income tax effect of other comprehensive income		-	-
Total other comprehensive income		**(7,364)**	**(211)**
Total comprehensive loss for the half-year attributable to equity holders of the parent		**(7,364)**	**(23,495)**
Basic earnings per share[1]		(0.003)	(0.05)
Diluted earnings per share		(0.003)	(0.05)

Notes to the financial statements are included on pages 16 to 23.

[1] On 20 January 2021, the Group completed a consolidation of capital on a fifty (50) for one (1) basis, taking the number of fully paid ordinary shares to 44,115,143. If these new number of shares were used in the EPS calculation the result would ($0.17) basic earnings per share for the period ended 31 December 2021.

Condensed consolidated statement of financial position as at 31 December 2020

	Note	31 Dec 2020 $'000	30 Jun 2020 $'000
Current assets			
Cash and cash equivalents		1,731	1,129
Trade and other receivables		9,342	6,151
Inventories		16,357	20,789
Agricultural produce		2,967	1,743
Other assets		930	773
		31,327	**30,585**
Assets held for sale	7	-	5,379
Total current assets		**31,327**	**35,964**
Non-current assets			
Property, plant and equipment		29,956	35,955
Right-of-use assets		2,715	3,014
Total non-current assets		**32,671**	**38,969**
Total assets		**63,998**	**74,933**
Current liabilities			
Trade and other payables	8	4,154	7,330
Borrowings	10	40,960	11,607
Lease liabilities		716	716
Provisions		471	530
Other financial liability	12	157	303
Total current liabilities		**46,458**	**20,486**
Non-current liabilities			
Borrowings	10	1,253	30,603
Lease liabilities		2,413	2,680
Provisions		580	576
Total non-current liabilities		**4,246**	**33,859**
Total liabilities		**50,704**	**54,345**
Net assets		**13,294**	**20,588**
Equity			
Contributed equity	11	174,505	174,505
Reserves		(38,635)	(38,851)
Accumulated losses		(122,576)	(115,066)
Total equity		**13,294**	**20,588**

Notes to the financial statements are included on pages 16 to 23.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2020

	Contributed equity $'000	Accumulated losses $'000	Corporate re-organisation reserve $'000	Share-based payments reserve $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Total equity $'000
Balance at 1 July 2019	**150,888**	**(75,766)**	**(47,453)**	**939**	**6,781**	**47**	**35,436**
Impact of adoption of new accounting standards [(i)]	-	(226)	-	-	-	-	(226)
Balance at 1 July 2019	**150,888**	**(75,992)**	**(47,453)**	**939**	**6,781**	**47**	**35,210**
Loss for the period	-	(23,284)	-	-	-	-	(23,284)
Other comprehensive income	-	-	-	-	-	(211)	(211)
Total comprehensive loss for the period	**-**	**(23,284)**	**-**	**-**	**-**	(211)	**(23,495)**
Share-based payments expense	-	-	-	570	-	-	570
Colignan property surrender fee	-	-	-	1,578			1,578
Balance at 31 December 2019	**150,888**	**(99,276)**	**(47,453)**	**3,087**	**6,781**	**(164)**	**13,863**
Balance at 1 July 2020	**174,505**	**(115,066)**	**(47,453)**	**1,610**	**7,345**	**(353)**	**20,588**
Loss for the period	-	(7,510)	-	-	-	-	(7,510)
Other comprehensive income	-	-	-	-	-	146	146
Total comprehensive loss for the period	**-**	**(7,510)**	**-**	**-**	**-**	**146**	**(7,364)**
Share-based payments expense	-	-	-	70	-	-	70
Balance at 31 December 2020	**174,505**	**(122,576)**	**(47,453)**	**1,680**	**7,345**	**(207)**	**13,294**

(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.

Notes to the financial statements are included on pages 16 to 23.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2020

	Half-year ended	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities		
Receipts from customers	29,704	32,656
Payments to suppliers and employees	(35,037)	(36,316)
Receipts from government grants – Job Keeper	993	-
Interest paid	(1,189)	(2,436)
Net cash used in operating activities	**(5,529)**	**(6,096)**
Cash flows from investing activities		
Payments for property, plant and equipment	(148)	(2,750)
Proceeds from sale of property, plant and equipment	6,591	-
Net cash used in investing activities	**6,443**	**(2,750)**
Cash flows from financing activities		
Proceeds from borrowings	6,950	11,750
Repayment of borrowings	(6,166)	(1,100)
Repayment of leases	(267)	(373)
Proceeds from equipment financing	-	73
Repayment of equipment financing	(829)	(934)
Payments of borrowing costs	-	(76)
Payment for Colignan property lease surrender fee	-	(825)
Net cash generated by financing activities	**(312)**	**8,515**
Net increase in cash and cash equivalents	602	(331)
Cash and cash equivalents at the beginning of the half-year	1,129	1,214
Cash and cash equivalents at the end of the half-year	**1,731**	**883**

Notes to the financial statements are included on pages 16 to 23.

Notes to the consolidated financial statements

1. General information and group reorganisation

This interim financial report presents the condensed consolidated financial statements of Murray River Organics Group Limited (the "Company") and its subsidiaries (the "Group") for the half-year ended 31 December 2020.

The Company is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

2. Significant accounting policies

Statement of compliance

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The interim report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of Murray River Organics Group Limited for the year ended 30 June 2020, together with any public announcements made by the Murray River Organics Group Limited during the half-year ended 31 December 2020. This annual financial report is available on the ASX website.

(b) Basis of preparation

The interim financial report has prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments that have been measured at fair value. 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 amounts contained in the Directors' report and in the interim financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2020.

(c) Going concern basis

The interim 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 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 of the prior year harvest 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.

For the reasons described below, there is a material uncertainty whether the Company will continue as a going concern:

- The Group incurred a net loss of $7.510 million and net cash outflows from operating activities of $5.529 million for the half year ended 31 December 2020. Owing to the current banking facility termination date being within 12months of balance date, the Group has a net current asset deficiency of $15,131 million.

- Whilst continual operational progress has been made throughout the business, there remains to be risk around the success of the retail branded strategy due to the competitive nature of the industry. These risks could materially impact the future profitability and cashflows of the Group.

- The Group forecasts to incur continued short-term net operating cash outflows and negative earnings however medium-term forecasts show positive net operating cashflows.

- On 19 October 2020, the Group entered into an Amending Deed and during February 2021 the Group reached an in-principle agreement with its financier to extend its banking facilities to 31 October 2022, which is subject to final execution. The amended banking facilities require the Group to comply with certain additional undertakings and other obligations which include:

    - Making principal repayments on the term loan facility of $4.500 million by 30 June 2021, and a further $10.000 million by 30 April 2022
    - Compliance with financial covenants related to agreed Minimum EBITDA and Net Tangible Assets measures.

The Directors have considered the above factors as well as the forecast future operating cashflows and believe that the Group will be able to continue as a going concern for the following reasons:

- The Group expects to shortly execute the amended terms for its banking facility described above and based on its trading and cashflow forecasts expects to be in compliance with those covenants.
- The Group is preparing to meet the principal repayment obligations under its amended term loan facility. The sale of the Nangiloc property is on-track for settlement in March 2021.The Group is confident that in addition to this pending sale, additional asset realisation projects will be sufficient to meet the obligations by 30 April 2022.

The ability of the Group to meet its operational cash requirements, comply with financial covenants 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 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 can continue as a going concern based on the Group's trading and cash flow forecasts, and confidence in meeting the obligations and covenants under its banking facilities and continued support from the Group's financier.

In the event that the Group is not able to achieve the outcomes outlined above, 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 interim 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.

(d) Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 30 June 2020, except for the adoption of new standards effective for the Group as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Other income

	31 Dec 2020 $'000	31 Dec 2019 $'000
Net foreign exchange gain	-	175
Other	102	22
Total	**102**	**197**

4. Employee benefits expense

	31 Dec 2020 $'000	31 Dec 2019 $'000
Salaries and wages expenses	4,446	5,147
Superannuation benefits	335	396
Government grants - JobKeeper	(668)	-
Share-based payments expense	71	570
Employee benefits expenses capitalised to agricultural produce and bearer plants	(463)	(1,026)
Total	**3,721**	**5,087**

5. Depreciation expense

	31 Dec 2020 $'000	31 Dec 2019 $'000
Depreciation of property, plant and equipment	1,400	2,325
Depreciation of right-of-use assets	299	402
Depreciation capitalised into agricultural produce	(555)	(670)
Net depreciation expense	**1,144**	**2,057**

6. Finance costs

	31 Dec 2020 $'000	31 Dec 2019 $'000
Interest on banking facilities	1,293	1,287
Interest on lease liability - right-of-use assets (Colignan property)	-	1,156
Interest on lease liability - right-of-use assets (other)	91	106
Bank loan modification loss	(64)	696
Amortisation of deferred borrowing costs	144	12
Capitalised interest relating to qualifying assets	-	(563)
Net finance costs	**1,464**	**2,694**

7. Loss on disposal of farming assets

Fifth St Farm

	31 Dec 2020 $'000
Net proceeds on sale	**6,107**
Assets disposed	
Agricultural produce (at cost)	876
Fair value gain on agricultural produce	272
Agricultural produce (at fair value)	**1,148**
Assets held for sale	**5,379**
Gain/ (Loss) on disposal of Fifth St Vineyard	**(420)**

The Fifth Street conventional fresh table grape farm was classified as held for sale at 30 June 2020. The property was sold during the period and settled on 23 December 2020.

Nangiloc Farm (Part A)

	31 Dec 2020 $'000
Net proceeds on sale	
Deposit received – held in trust	450
Receivable	4,050
Net proceeds on sale	**4,500**
Assets disposed	
Property, plant and equipment	**4,567**
Agricultural produce (at cost)	380
Fair value loss on agricultural produce	(9)
Agricultural produce (at fair value)	**371**
Disposal costs	
Legal and other	56
Loss on disposal of Nangiloc Property	**(494)**

The conventional citrus and conventional wine sections of the Nangiloc Property (Nangiloc Part A) has been sold subject to subdivision. The subdivision and settlement is expected to complete in March 2021.

Total Loss on Disposal of Farms	**(914)**

8. Trade and other payables

	31 Dec 2020 $'000	30 Jun 2020 $'000
Trade and other payables	1,081	3,634
Other accruals and payables	2,962	3,678
Deferred income	111	18
Total	**4,154**	**7,330**

9. Impairment of non-current assets

The Group operates as a single Cash Generating Unit ("CGU"). In accordance with the Group's accounting policies and process, the Group evaluated the cash generating unit ('CGU') at 31 December 2020, to determine whether there were any indications of impairment. Where an indicator of impairment exists a formal estimate of the recoverable amount is performed.

The net loss, the level of operating cash outflows of the Group for the period, and the performance of the business against expectations were considered indicators of impairment at 31 December 2020. Management tested the carrying value of the CGU through an assessment of the Fair Value less Costs of Disposal ("FVLCD") by reference to the market capitalisation of the company. After consideration no impairment was determined.

10. Borrowings and banking facilities

a) Borrowings

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
Secured borrowings:		
Bank loans	39,728	10,000
Equipment loans	1,438	1,607
Deferred borrowing costs	(206)	-
Total	**40,960**	**11,607**
Non-current		
Secured borrowings:		
Bank loans	-	29,009
Equipment loans	1,253	1,913
Deferred borrowing costs	-	(319)
Total	**1,253**	**30,603**

b) Gearing ratio

	31 Dec 2020 $'000	30 Jun 2020 $'000
Bank debt (bank and equipment loans)	42,213	42, 210
Cash and cash equivalents	(1,731)	(1,129)
Net Bank Debt	**40,482**	**41,081**
Total Equity	13,294	20,588
Net Bank Debt to Equity ratio	304.5%	199.5%

Net Borrowings	40,482	41,081
Net Borrowings to Equity ratio	304.5%	199.5%

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.

At the commencement of the period, the details of the banking facilities were as follows:

- a $50.000 million term loan facility;
- a $7.500 million equipment loan facility
- Bank guarantee and credit card facilities.

On 19 October 2020, the Group renegotiated its financing arrangements requiring the Group to comply with certain additional undertakings and other obligations which include:

- Making principal repayments of $5.500 million on the term loan facility by 30 November 2020 (or such later date as agreed with the Group's financier) and a further $4.500 million on the term loan facility by 30 June 2021.
- Compliance with financial covenants related to agreed Minimum EBITDA and Net Tangible Assets measures.

On 23 December, following the settlement of the Fifth Street vineyard, $5.500 million was repaid in compliance with the agreement, bringing the term loan facility limit to $44.500 million.

Refer to Note 14 for amendments made to the banking facilities subsequent to the reporting date.

(b) Banking facilities

	31 Dec 2020 $'000	30 Jun 2020 $'000
Summary of financing arrangements		
Facilities limit at reporting date:		
Equipment loans	7,500	7,500
Bank loans	44,500	50,000
Bank guarantee	1,530	1,530
	53,530	**59,030**
Facilities utilised at reporting date:		
Equipment loans	2,691	3,520
Bank loans	39,609	38,825
Bank guarantee	460	460
	42,760	**42,805**
Facilities not utilised at reporting date:		
Equipment loans (1)	4,809	3,980
Bank loans	4,891	11,175
Bank guarantee	1,070	1,070
	10,770	**16,225**

(1) The utilisation of equipment loan facilities is dependent on capital expenditure meeting specific funding criteria.

11. Equity securities issued

	Half-year ended 31 Dec 2020		Half-year ended 31 Dec 2019	
	Number '000	$ '000	Number '000	$ '000
Opening balance (1 July)	**2,205,741**	**174,505**	**433,761**	**150,888**
Issue of shares capital raising	-	-	-	-
Equity raising costs (net of tax)	-	-	-	-
Closing balance (31 December)	**2,205,741**	**174,505**	**433,761**	**150,888**

12. Fair value of financial instruments

The only financial assets or financial liabilities carried at fair value are foreign currency contracts. The Directors consider the foreign currency contracts to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurements are derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). There have been no transfers between level 1, 2 and 3 for recurring fair value measurements during the half-year ended 31 December 2020. The foreign currency contracts fair values have been obtained from third party valuations derived from discounted cash flow forecasts of forward rates (from observable yield curves at the end of the reporting period) and contract rates.

The following table gives information about how the fair values of these financial liabilities are determined (the valuation techniques and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 Dec 20 $'000	30 Jun 20 $'000		
Foreign currency forward contracts	Liability: 157	Liability: 303	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.

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

13. 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 85% of the Group's revenue is attributed to domestic customers, and the remainder relates to exports to Asia (12%), Europe (3%).

The Chief Executive Officer 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 half-year ended 31 December 2020, the Group generated sales revenue of $6.564 million from a single customer that amounts to 24% of the Group's total sales revenue.

14. Events subsequent to reporting date

On 20 January 2021, the Group completed a consolidation of capital on a fifty (50) for one (1) basis, taking the number of fully paid ordinary shares to 44,115,143.

During February 2021 the Group reached an in principle agreement with its financier in relation to its banking facilities, which is subject to final execution. This includes extending the facilities until 31 October 2022. The amended banking facilities require the Group to comply with certain additional undertakings and other obligations which include:

- Making principal repayments on the loan facility of $4.500 million by 30 June 2021, bringing the facility limit to $40.000 million.
- Making principal repayments on the term loan facility of $10.000 million by 30 April 2022, bringing the facility limit to $30.000 million.
- Compliance with financial covenants related to agreed Minimum EBITDA and Net Tangible Assets measures.

As at the date of this report, the Group is in final stages of executing this formal agreement.