

FUND UPDATE

11 December 2019

COLIGNAN FARM RESTRUCTURE

Following lengthy discussions with Murray River Organics Group Limited (ASX:MRG) it has been agreed that it is in the interests of Arrow Primary Infrastructure Fund (APIF), the owner of the Colignan Farm dried fruit property, that the lease of that property be terminated, effective today 11 December 2019.

Arrow Funds Management Limited, the Responsible Entity of APIF, has established a new operating company, called Advinco Farm Pty Ltd, which will assume immediate operational control of the Colignan property. MRG has provided Advinco Farm Pty Ltd (Arrow) with a 3 year Offtake Agreement for all dried fruit produced by the property.

Advinco Farm Pty Ltd is a 100% owned subsidiary of APIF and will be consolidated into the Fund's results.

In consideration for Arrow agreeing to termination of the lease, MRG will:

1. issue APIF with 5% of the share capital of MRG following their proposed capital raising, and
2. pay to APIF a surrender fee of \$1,324,750 in two tranches: (i) \$824,750 paid from the proceeds of the bank guarantee given by NAB in relation to obligations of MRG under the lease; and (ii) \$500,000 paid from the proceeds of, and conditional on, their proposed equity capital raising.

The Colignan Farm property is one of the largest dried fruit producers in the Sunraysia region, and was acquired by Arrow in December 2017 due to its strategic location and our confidence in the premium quality dried fruit industry, which is under-supplied by Australian producers.

The property now has approximately 620 hectares of dried fruit vines, following the recent establishment of a new Greenfield planting of 160 hectares and the conversion of 140 hectares of wine grapes, which have been converted over to dried fruit under MRG's management. In addition, the property has 30 hectares of mature citrus trees.

Arrow directors are confident that the Colignan Farm property and its profitability can be significantly improved under Arrow's ownership control.

Arrow proposes to employ existing and new farm management and staff, who will report to Arrow's experienced Ag Consultant, Stuart Pettigrew. Stuart is familiar with this property and has been working with Arrow for more than 2 years.

We are continuing to assess the capital required and profit opportunity of the Colignan Farm property and based on our current forecasts do not foresee any change in the annual distribution rate paid by the Fund.

ANDREW ASHBOLT
MANAGING DIRECTOR