



ROTOGRO

ASX Release

2 December 2020

RotoGro Executes Binding \$10M Technology License Agreement with Verity Greens

Highlights

- RotoGro executes a **binding Technology License Agreement** with Verity Greens Inc. for the grant of manufacturing and technology use licences
- The Agreement provides RotoGro with a **foothold in the expanding Indoor Urban Vertical Farming space** as a technology and services provider globally
- In accordance with the Agreement, Verity must provide the Company **with purchase orders in excess of AUD 10 million** for the purchase of no less than 624 RotoGro Model 710 Systems to retain exclusivity beyond December 31, 2021.
- The Agreement also facilitates the payment of annual software licensing fees and a long term **net profit share** from the sale (by Verity) of perishable foods cultivated at facilities utilising RotoGro technology for the initial 20 year term of the agreement, all of which are expected to generate long term sustained recurring revenue for RotoGro

Further to its announcement of 8 October 2020 (titled “RotoGro Executes Term Sheet for Technology License Agreement”), Roto-Gro International Limited (ASX:RGI) (“**RotoGro**” or the “**Company**”), is pleased to announce that it has executed a binding Technology License Agreement with Verity Greens Inc. (“**Verity Greens**” or “**Verity**”), pertaining to technology and patent licensing for use in the cultivation of perishable foods (the “**Agreement**”).

The Agreement is designed to provide RotoGro with a foothold in the expanding Indoor Urban Vertical Farming space as a technology and services provider.

The Agreement facilitates RotoGro providing Verity Greens with the opportunity to use and manufacture the Company’s patented and proprietary cultivation technology in the perishable foods field, consistent with the Company’s strategy to engage in less capital-intensive business partnerships and collaborations.

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Terry Gardiner (Non-Executive Director)

Chief Financial Officer

Melanie Leydin

Company Secretary

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Photo 1: RotoGro 710 Rotational Garden showing various leafy greens

Key Terms of the Agreement

The Agreement is for an initial term of 20 years (“**Initial Term**”), with the ability for Verity to extend the term for successive 5-year terms, and includes the following key provisions:

1. RotoGro grants to Verity the following licences:
 - a) an exclusive global licence to use the Company’s proprietary technology specifically in the perishable food cultivation field until 31 December 2021, to be extended for the Initial Term and any renewal terms subject to Verity purchasing 624 RotoGro Model 710 Systems (each a “**Unit**”) by 31 December 2021 (the “**Purchase**”), with a right to sub-license by continent or specific country (“**Cultivation Licence**”);
 - b) a non-exclusive global licence to use the Company’s proprietary software for the Initial Term and any renewal terms, with RotoGro to provide Verity with software

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to support both RotoGro- and Verity-manufactured Systems for an agreed annual fee (“**Software Licence**”); and

- c) a non-exclusive global licence to make and use the Company’s proprietary technology and Rotational Garden Systems (“**Systems**”) during the Initial Term, with a right to sub-license by continent or specific country (“**Manufacturing Licence**”);

In the event that Verity Greens does not complete the Purchase by 31 December 2021, the exclusive Cultivation Licence will not be extended past 31 December 2021 and Verity will be deemed to be in breach of the Agreement.

2. The consideration payable under the Agreement by Verity to RotoGro is as follows:

- a) an agreed fee of CAD 14,000 (presently equivalent to AUD \$15,000) for each Unit purchased for the first 5 years of the Agreement (unless extended at Verity’s option), with the parties to agree on the relevant purchase fee after the first 5 years, if required;
- b) subject to Verity achieving a net profit for its perishable food products, a net profit fee per facility utilizing RotoGro’s technology for the cultivation of perishable foods in the amount of:
- (i) 2% in the first year;
 - (ii) 3% in the second year;
 - (iii) 4% in the third year; and
 - (iv) 5% in the fourth and any subsequent years of the Initial Term or any renewal terms;
- c) a manufacturing fee of CAD 2,000 (presently equivalent to AUD 2,150) excluding any applicable taxes per Unit for each Unit manufactured by Verity or any sub-licensee under the Manufacturing Licence for the first 5 years of the Agreement (unless extended at Verity’s option), with the parties to agree on the relevant manufacturing fee after the first 5 years; and

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- d) an annual software licensing fee of 1% of the total purchase price of Units under the Agreement commencing 1 year after the planting of first crops on a commercial scale at each Verity facility, which is capped at CAD 70,000 (presently equivalent to AUD 75,000) per Verity facility for the first 5 years of the Agreement, with the parties to agree on the relevant software licensing fee after the first 5 years.
3. The Agreement includes a right of first refusal in favour of Verity, whereby if the Company receives notification from a third party customer seeking to purchase and use the Company's technology in the perishable food cultivation field, RotoGro must first provide Verity with the option to establish a comparable facility in preference to the third party customer.
4. The Agreement may be terminated by either party for a material breach by the other party, subject to 60 days' notice having been provided to the defaulting party in which time the defaulting party may cure the breach.

If Verity achieves the conditions to obtaining exclusivity beyond 31 December 2021, it will have provided the Company with purchase orders under the Agreement for RotoGro's technology totalling in excess of AUD \$10 million for the purchase of 624 RotoGro Model 710 Systems.

Verity Greens' Additional Obligations Under the Agreement

In accordance with the Agreement, Verity must also:

- a) complete an economic market assessment and inform RotoGro of the country that it has chosen for its first perishable foods cultivation facility by no later than 30 April 2021; and
- b) inform RotoGro of the specific city location it has chosen for its first perishable foods cultivation facility by no later than 30 September 2021.

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In addition to failure to complete the Purchase by 30 December 2021, failure by Verity to complete either of the actions set out in points a) and b) above will constitute a material breach of the Agreement, providing the Company with the option to terminate the Agreement in accordance with its terms.

Verity Facilities

Verity has provided the Company with business plans for the first phase of the build of its commercial scale indoor vertical farm. Those plans indicate that the estimated capital required to complete the vertical farm, including downstream processing, packaging and storage costs is approximately AUD 30 million (10 million of which will be allocated to the purchase of RotoGro's technology and services under the Agreement), and that the anticipated yield of the vertical farm is approximately 850,000 kg of leafy greens per annum, with further opportunity for expansion in planned second and third phases.

Verity Greens President, Harval Bassi states, "We are incredibly pleased to formalise our exclusive technology agreement with RotoGro. Our team has undertaken a thorough market assessment of vertical farming technologies and it is clear RotoGro has set the standard for automation, efficiency, and product quality. Although we have key milestones for rolling out our first facility, it is our intent to meet these milestones sooner than expected. It has been a pleasure to work with the technical and executive teams at RotoGro and we look forward to building a strong relationship for the mutual benefit of our respective businesses."

RotoGro's Non-Executive Chairman, Michael Carli states, "We are excited to execute a binding technology and licensing agreement with Verity Greens. Verity's market expertise and experience will facilitate the global rollout of commercial scale indoor vertical farming facilities, each equipped with our patented and proprietary technology. In a world disrupted by the COVID-19 pandemic, it is a critically important time for food security and the supply chain integrity of perishable foods. The sale of technology, annual software licensing fees, and a net profit interest

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arising from the Agreement, are expected to provide RotoGro with long-term, sustained trailing revenue. I commend RotoGro's executive team for their unwavering focus and tenacity during these challenging times. Their ability to deliver on the Company's strategy of driving shareholder value through new technology sales and long-term cultivation collaborations is praiseworthy."

--ENDS--

This announcement is authorised for release to the market by the Board of Directors of Roto-Gro International Limited.

For more information please contact:

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About Roto-Gro International Limited

Roto-Gro International Limited is an Australian-based company with global operations focused on the cultivation of lawful cannabis and perishable food (produce) which take advantage of its proprietary, patented, and patents-pending technology in the stackable rotary hydroponic garden space.

The Company has collaborated with Freshero Pty Ltd and Verity Greens for perishable foods. These ventures leverage RotoGro's patented rotational hydroponic garden systems, crop management fertigation hardware and proprietary software systems to produce greater yields and lower operating costs. In addition, the Company has also entered into a Share Purchase Agreement to acquire 51% of the issued and outstanding shares in the capital stock of Medical Compassion Canni Farms Inc. which is a late stage Health Canada cannabis cultivation and processing license applicant.

RotoGro's also provides a patent-pending specialised business line for water treatment and nutrient management in the viticulture, perishable foods and lawful cannabis space. The fertigation business line has

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successfully provided design solutions, installations and service contracts for licensed lawful cannabis facilities in the State of Nevada, USA and is embarking on expanding this offering globally.

The Company continues its focus on expanding into industry synergistic opportunities; exploring strategic partnerships in related markets which include, perishable food (produce) partnerships, lawful cannabis license ownership, growing management services, industry leading nutrients, emerging tissue culture (micropropagation) expertise and other supporting faculties of hydroponic growing.

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