



Quarterly Activities Report

For the three months ending
30th September 2017

Science | Technology | Agronomy
USA | New Zealand | Australia

CROPLOGIC LIMITED | ARBN 619 330 648 | NEW ZEALAND COMPANY NUMBER 3184550



ASX:CLI

Highlights



Highly successful North American growing season (Over \$2M of revenue generated)



Development of revenue and profitability



International acquisition strategy underway



Expansion of Research & Development Programme



Expansion of corporate structure



Successful listing on Australian Securities Exchange



Cash on hand sufficient for the company to meet it's growth aspirations

"This has been a period of achievement for CropLogic, having successfully completed the 2017 potato growing season in Washington and generating revenue of over AUD\$2 million. The Company has built on strong foundations established with the AUD\$11 million raised culminating in CropLogic's ASX listing, and we are now targeting further growth via our acquisition strategy and increase operations in Washington State, throughout the US and internationally."

Jamie Cairns
Managing Director



Highly successful North American growing season

- ▶ CropLogic technology effectively deployed into US market
- ▶ Over \$2 million of revenue generated during the June and September 2017 growing season Quarters
- ▶ 60,000 acres or 30% of Washington State market serviced
- ▶ New crops include onion, corn and asparagus
- ▶ Agronomist visits in some instances have been cut by up to 50%

CropLogic Limited (ASX:CLI) is pleased to report that the North American growing season has been highly successful with a total of AUD\$2.0 million of service income generated with AUD\$1.6 million received during this period. Approximately 60,000 acres have been serviced within Washington State, equating to approximately 30% of the serviceable potato acres within that region for potato crops.

Of the total revenue generated from operations this season, approximately 49% came from potatoes, 20% from onions, and 14% from corn. Further revenue was also generated from smaller areas of peas, carrots and asparagus. While potatoes are currently the primary target, significant growth opportunities exist in these other crop types and it has been encouraging that revenue is already being generated at this early stage.

The season saw approximately 100 remote probes deployed into fields in Washington, with initial demand outstripping supply. Deployment included the assembly, installation, and training of agronomist field staff, and the technology received praise from key customers served throughout the season. The company now aims to deploy up to 1,000 probes into the US market ready for the growing season commencing in March 2018. This deployment will see a significant transformation of the profitability of the existing client base and will allow an opportunity to further expand the regional footprint.



Figure 1: CropLogic Probe in a potato field in Washington State, USA.

Development of revenue and profitability

The CropLogic service offering is agronomic expertise supported by scientific research and delivered with cutting edge technology - science, agronomy, and technology interwoven into an expert system for decision support.

Traditional agronomy services require a significant amount of in-field time from trained staff, and this is a limiting factor in scaling these businesses. Two of the biggest costs for traditional agronomy service firms

are labour and fuel and these have a linear correlation when increasing acres serviced. CropLogic uses remote sensing and data acquisition to provide agronomists with more reliable and more timely data than they could have achieved under traditional methods, and the use of modelling provides agronomists with the ability to start predicting conditions in any given field.

The financial profit formula is simple:

1. Reduce the per-acre service cost of providing agronomy services (while increasing accuracy and reliability) of decisions

2. Increase per-acre revenue through the introduction of predictive yield-optimising value add services that attract a pricing premium.

Stage 1 of this model has been proven this season, where agronomist visits to those fields where technology was deployed was reduced by up to 50%. Additionally, this technology allowed the company to begin to increase

its client base through gaining new customers that were previously uneconomic to service because of their remote locations.

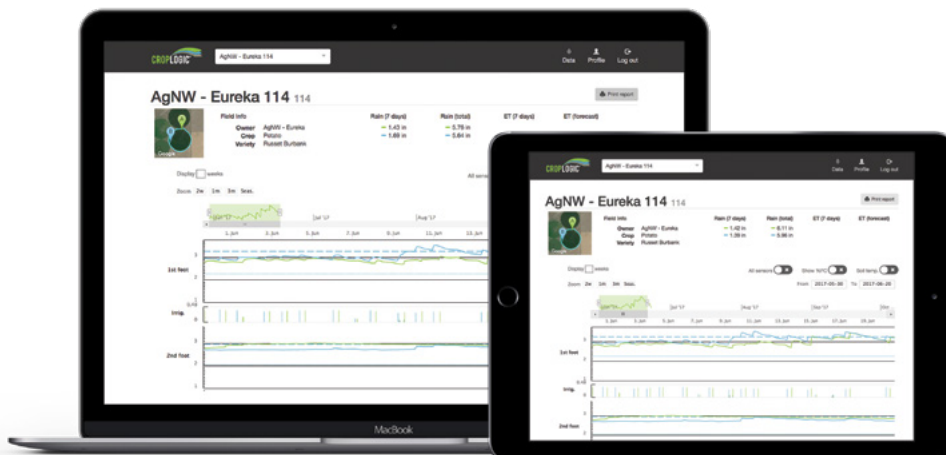


Fig 2: Depiction of CropLogic Dashboard as seen by the grower and CropLogic agronomist. Growers can log into each field and see realtime moisture and other readings from their CropLogic Probes.

International acquisition strategy underway

CropLogic has been clear about its strategy to initiate market entry via acquisitions, and is building a pipeline of potential opportunities in Australia and the USA.

This growth model focusses upon identification of acquisition targets that provide key strategic value and regional market share into which CropLogic technology can be introduced to drive efficiencies and increase revenue. The acquisition of Professional Ag Services LLC in Washington State (USA) has done as such, providing CropLogic with a client base that represents some 30% of total Washington potato production.

As acquisitions are completed, CropLogic will immediately deploy technology and gain cost efficiencies as a result. Subsequently, the first season of operation will see an increase in sales efforts for subsequent seasons and the ability to service more acres within existing resources - a combination of decreased costs, increased resource efficiency, and then an increase in revenue per acre.

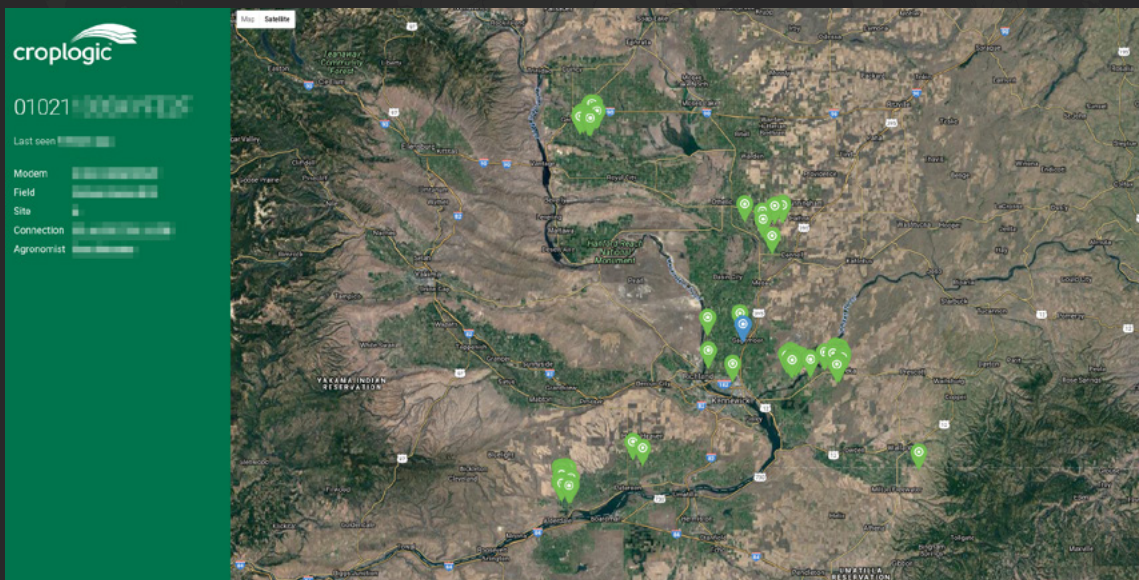


Figure 4: Image showing the management portal used by support staff, during the close of the potato season in Washington State, US. Pins represent CropLogic data gathering, where managers can click to gain more information about in-field conditions and of the status of the probe. This platform will be the foundation of the management platform to be used in the deployment of up to 1,000 probes in the upcoming US growing season.

Expansion of Research & Development Programme

CropLogic has a good history of development of agricultural technology and as outlined in the Company’s prospectus, part of the use of funds includes up to AUD\$2.6 million to be spent on further Research and Development.

CropLogic’s approach to research and development includes science and technology that can enhance its current agricultural technology offering, reducing service costs and increasing revenue within the Company’s current client base whilst also increasing the addressable market.

CropLogic is currently enhancing its existing aerial imagery capability and efficiency, providing agronomists with better decision support tools that allow them to better identify in-field crop issues such as emergence, irrigation, pest or weed outbreaks in a more reliable and prompt manner. This includes a new near-infrared camera system which enables higher resolution (100MP) and more color bands (five). Combined with automated processing algorithms, developed in-house, we expect to streamline our processing costs and grow our market share in this segment.

Further Internet of Things (IOT) development has occurred within the last quarter. This is designed to

enable lower capital and operational costs of our automatic data collection systems and is part of our pathway to halve the total cost of ownership in these systems over the next two years.

Our cloud-based infrastructure systems are being continually improved and evolved. Most recently we have developed a fully "server-less" data ingestion architecture designed for reliability and extreme scalability - a necessary part of our scale-up plan.

Market development continues with the deployment of further infrastructure to service the US market. CropLogic aims to deploy up to 1,000 probes to the USA market prior to the growing season commencing in March 2018. This would see the 60,000 acres currently under management fully serviced by its remote-sensing technology, a process which has now commenced.



Figure 5 and 6: CropLogic Probe in an Apple Orchard and a CropLogic Agronomist inspecting a CropLogic Probe in a Mustard field in Washington State, USA.

Corporate

ASX listing, USA growth and expansion of corporate structure

In the proceeding 12 months CropLogic has raised over AUD\$11 million in successful seed rounds and subsequent Initial Public Offering, culminating with the admission to the official list of the Australia Securities Exchange (ASX) on 12th September 2017.

Apart the cost of listing these funds have been put to use launching of the CropLogic System and the establishment of CropLogic in the lucrative USA market. In a relatively short period of time CropLogic has been able to capture 30% of the market in Washington State, establish an office there and a work force of 16 agronomist. Over \$2 million of revenue was generated during the 6 months to 30 September 2017 from this region.

Capital was also expended on the company's research and development programme. The aim of this programme is to increase the capability and efficiency of the Company's current science and technology offering whilst also developing new and cutting-edge science and technology that can be introduced into the Company's grower network. This is expected to increase the chargeable rate per acre whilst also continuing to reduce the service cost per acre, thereby increasing future profitability and eventual return to shareholders.

As at 30 September 2017 the Group has cash reserves of AUD\$6.6 million. This leaves CropLogic well resourced to meet it's growth aspirations well into 2018. To this end during the period and in anticipation of growth into the Australian market and further growth in the US market corporate entities and tax structures were established in these regions. Following the success entry into the Washington State market CropLogic continues to evaluate a growing number of acquisition and growth opportunities in the US, Australia and international.

For further details on CropLogic cashflows please see the attached Appendix 4C Quarterly Cash Flow Report.

About CropLogic

CropLogic is a New Zealand agronomy services company listed on the Australian Securities Exchange (ASX) and currently servicing approximately 60,000 acres or 30% of the potato market in Washington State, USA.

The CropLogic service offering is agronomic expertise supported by scientific research and delivered with cutting edge technology – science, technology and agronomy-interwoven into an expert system for decision support.

The CropLogic System, builds on technology developed over 30 years out of The New Zealand Institute of Plant and Food Research, a New Zealand Crown Research Institute, and over 600 field trials in four nations. The CropLogic System gathers field data, via in-field sensors coupled with satellite communications, before processing that through its proprietary technology to provide decision support to growers to help them improve the productivity of their crops.

Successful trials of the CropLogic System have been completed in potatoes in China, USA, Australia and New Zealand. In 2017 the CropLogic System was launched into the Washington State potato market. CropLogic now services 30% of the potato market in this state.

Further growth expected

In 2017 CropLogic commenced the commercial development of the CropLogic System in other soft commodities such as corn, wheat, soybean and cotton. As part of a 'soft launch' growers were willing to pay to use the CropLogic System in their wheat and corn during the 2017 seasons. Further growth in all four of these commodities is expected in the 2018 growing season.

CropLogic has an active research and development programme. The aim of this

programme is to increase the capability and efficiency of the Company's current science and technology offering whilst also developing new and cutting-edge science and technology that can be introduced into the Company's grower network. This is expected to increase the chargeable rate per acre whilst also continuing to reduce the service cost per acre, thereby increasing future profitability and eventual return to shareholders.

Finally, CropLogic has an active growth model, using a combination of both acquisition and organic growth strategies. Following the successful entry into the Washington State market CropLogic continues to evaluate a growing number of acquisitions and growth opportunities in the US, Australia and internationally.

Further growth in CropLogic's addressable market, scientific offering and market share is expected.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity: CropLogic Limited

ARBN: 619 330 648

Quarter Ended ("current quarter"): 30 September 2017

Consolidated statement of cash flows		Current quarter \$'000	Year to date (6 months) \$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	903	1,611
1.2	Payments for		
	(a) research and development	(253)	(530)
	(b) product manufacturing and operating costs	(559)	(927)
	(c) advertising and marketing	(25)	(37)
	(d) leased assets	-	-
	(e) staff costs	(24)	(39)
	(f) administration and corporate costs	(323)	(383)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	(37)	(38)
1.6	Income taxes paid	(1)	(1)
1.7	Government grants and tax incentives	112	112
1.8	Other (provide details if material)	(120)	(129)
1.9	Net cash from / (used in) operating activities	(325)	(359)

Appendix 4C

Continued

Consolidated statement of cash flows, Cont.		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(47)	(57)
	(b) businesses (see item 10)	(101)	(1,530)
	(c) investments	-	-
	(d) intellectual property	(358)	(358)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(506)	(1,945)

Appendix 4C Continued

Consolidated statement of cash flows, Cont.		Current quarter \$A'000	Year to date (6 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	8,000	8,000
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	2,013
3.4	Transaction costs related to issues of shares, convertible notes or options	271	271
3.5	Proceeds from borrowings	(1,086)	(1,311)
3.6	Repayment of borrowings	-	30
3.7	Transaction costs related to loans and borrowings	(75)	(75)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	7,110	8,928

Consolidated statement of cash flows, Cont.		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	373	80
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(325)	(359)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(506)	(1,945)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,110	8,928
4.5	Effect of movement in exchange rates on cash held	20	(32)
4.6	Cash and cash equivalents at end of quarter	6,672	6,672

Appendix 4C Continued

5	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,672	373
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,672	373

6	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	46
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 consists of directors fees paid. During the quarter the Group also repaid a loan made by a Director to the Group to fund working capital of \$5,734. This payment has been included as part of item 3.6.

7	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	57
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

7.1 consists of consulting costs paid to a company controlled by the CFO as remuneration for services provided. During the quarter the Group repaid a loan from a major shareholder totalling \$68,813.

Appendix 4C

Continued

8	Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	252
9.2	Product manufacturing and operating costs	415
9.3	Advertising and marketing	15
9.4	Leased assets	-
9.5	Staff costs	40
9.6	Administration and corporate costs	150
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	872

Appendix 4C Continued

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions A\$	Disposals A\$
10.1	Name of entity	Professional Ag Services Inc.	-
10.2	Place of incorporation or registration	USA	-
10.3	Consideration for acquisition or disposal	1,529,395	-
10.4	Total net assets	284,421	-
10.5	Nature of business	Agronomy Services	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.



James Cooper Jones
Company Secretary | Chief Financial Officer

31 October 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.



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