

29 May 2019

USD\$4,250,000 DEBT INSTRUMENT AGREED

Highlights

- **Terms of USD\$4,250,000 debt instrument agreed:**
 - USD\$2,250,000 available immediately;
 - With a further USD\$2,000,000 available on same terms.¹
- Financing package means that CropLogic is **fully-financed** to 500 acres of hemp production.
- **Taking total funding to over AUD\$9 million:**
- **Attractive terms:**
 - Competitive base interest rate (9.5%);
 - Repayments not to begin before 7 months – which suits Industrial Hemp Cropping cycle;
 - Fixed conversion of 6 cents – a 50% premium to current share price.¹
- **International investor base broadened:**
 - Consortium of North American and European investors led by UK based fund;
 - Consortium has connections and experience investing in the industrial hemp industry;
 - Consortium's hemp network thought beneficial to CropLogic's growth strategies;
 - Consortium incentivised via royalty to increase CropLogic's industrial hemp global sales.
- **Funding to be used to advance Industrial Hemp Trial Farm:**
 - Over AUD\$9 million raised in last approx. 4 weeks to fund Industrial Hemp Trial Farm;
 - Trial Farm continues to progress rapidly – drip tape and mulch plastic laid last week (see figure 1 & 2);
 - Strong interest from and discussions continue with industry participants.



Figure 1: Drip tape and mulch plastic being laid at Industrial Hemp Trial Farm last week.

¹ For key terms of this debt instrument please see Schedule A at the end of this announcement.



Figure 2: Drip tape and mulch being laid at Industrial Hemp Trial Farm last week

CropLogic Limited (ASX:CLI) (**CropLogic or Company**), award-winning global agricultural technology company providing digital agricultural cutting edge technology for decision support, is pleased to announce it has secured USD\$4.25 million² (approx. AUD\$6.25 million) by way of a debt instrument. This is further to the AUD\$3 million of equity raised as per the announcement dated 24th April 2019, taking total funding secured to over AUD\$9 million in a 4 week period.

‘As we have mentioned in previous announcements, CropLogic’s growth, including the speed at which it is progressing its Industrial Hemp Trial Farm, is gaining the interest of capital markets and industry participants.’ Said CropLogic CEO James Cooper-Jones ‘The speed at which we have been able to secure both equity and debt finance, the favourable terms therein and the international nature of investors speaks to this growing global profile of CropLogic.’

‘It is a great credit to my team that rapid progress on our Industrial Hemp Trial Farm continues, with drip tape and mulch plastic beginning to be laid in the last week’ continued Mr. Cooper-Jones ‘Whether it be the challenges of citrus growers in the Sunraysia, hops growers in the Yakima or hemp growers in Oregon, I am constantly impressed how my team is up for the challenge. This ‘can do’ attitude and delivering of milestones is being increasingly recognised by both capital markets and industry participants and we welcome how this new investor can add to this network.’

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² For key terms of this debt instrument please see Schedule A at the end of this announcement.

About CropLogic

CropLogic is an award-winning global agricultural technology company listed on the Australian Securities Exchange (ASX). After launching its product into Washington State, USA in 2017, CropLogic is currently servicing a significant portion of horticultural growers in this region, with a market share as high as 30% in some crops. Following significant growth (2017-2018) in Washington State, in 2018, CropLogic expanded into the Idaho, Oregon and Australian market. CropLogic offers growers of irrigated crops agronomy expertise and digital agricultural technology applications, including CropLogic realTime³ and CropLogic aerial imagery, based upon scientific research and delivered with cutting edge technology – science, agronomy and technology interwoven into an expert system for decision support. For more information, please visit: <http://www.croplogic.com/>

³ **CropLogic realTime** – The hardware technology monitors and tracks key crop metrics, such as soil moisture and irrigation, and converts observations into data 24/7. This information is then collated in a concise and accurate format, providing actionable insights for users to make cost-saving decisions. Users can view this data in a user-friendly application called CropLogic GrowerView, which can be accessed via desktop, as well as on both Android and iOS. CropLogic has developed this tool with the expertise of leading agronomists, leveraging over 30 years of research.

About CropLogic Industrial Hemp Trial Farm

In 2019, CropLogic Limited established LogicalCropping LLC – extending its scientific and agronomy expertise to industrial hemp farming. Applying CropLogic’s agronomy expertise and suite of digital ag-tech technologies, LogicalCropping seeks to find solutions that optimise crop yields via a trial industrial hemp farm in Central Oregon.

CropLogic will be all the better poised to support this market, with agronomic and technical support with data generated from

Hemp Biomass Pricing Methodology

Hemp biomass is graded by contained CBD percentage point. Accordingly, the industry standard is buyers of hemp biomass will pay a dollar amount per CBD percentage point.

Extrapolating a target CBD yield of 10% CBD the equation is as follows:

Pounds of Hemp Biomass x (CBD % points x price per CBD percentage point).

Assuming a yield of 900,000 pounds biomass and price per CBD point of US\$4.00 per CBD percentage this then becomes:

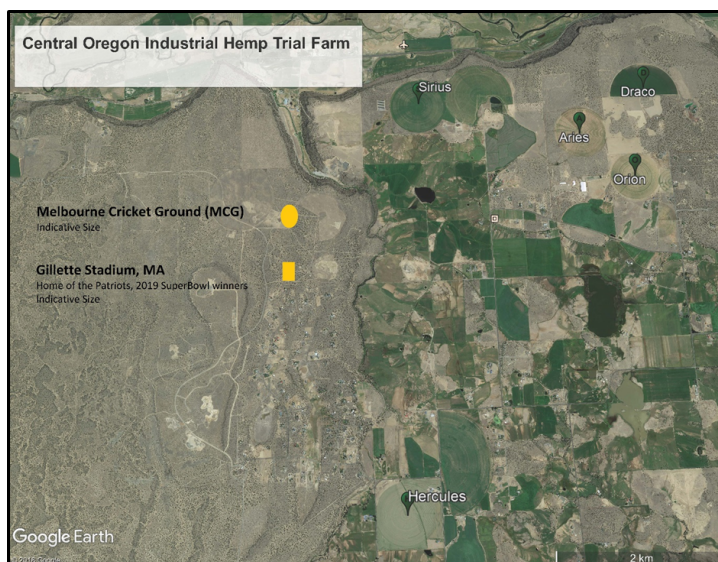
$$900,000 \text{ lbs} \times (10 \times \text{US\$4.00}) = \text{US\$36,000,000}^1$$

CropLogic has observed price per CBD point as high as US\$5.60. A midpoint of US\$4.00 used here. CropLogic has used the conservative CBD target of 10% CBD for its internal modelling but notes the CBD potential of the genetics acquired of up to 16% CBD (in ideal growing environments)

Central Oregon and similar growing environments. These varieties include T2, Midwest and Berry Blossom.

LogicalCropping will apply CropLogic’s technology and agronomy expertise to improve production and CBD yield. As hemp biomass is sold based on CBD content, any increase in CBD yield increases CropLogic’s clients bottom line.

¹ Refer CropLogic Limited ASX announcement ‘Trial Hemp Farm Progress – Leading Strain Genetics Acquired’ of 21 May 2019.



farming industrial hemp at its trial farm this season.

Revenue achieved from the proceeds for this industrial hemp crop will be available to support the further product push and further development of CropLogic’s suite of agricultural technology products, including CropLogic realTime and CropLogic Aerial Imagery.

The industrial hemp is being grown on 500 acres of agricultural land in Central Oregon under lease, through a registered industrial hemp growers license issued by the Oregon Department of Agriculture (ODA).

CropLogic understands it is one of the first ASX listed companies to obtain a US industrial hemp growers license.

This season, CropLogic has settled on three different seed varieties. These varieties are known for their resilience, CBD compliance and have a proven record of production in

The eight stages of hemp farming

Logical Cropping’s farm plan consists of eight stages, based on the needs of the farm and plants.

These various stages of the farm plan are (with indicative timeline):

✓ Pre-planting	Mar - Apr
• Planting	May - Jun
• Growth, Maintenance & Management	Jun - Nov
• Flowering	Aug - Sept
• Compliance Testing	Sept
• Harvest	Sept - Oct
• Processing/Sale	Oct – Nov
• Post-harvest	Nov – Dec

Overview

✓ Secure land	Completed
✓ Acquire permit	Completed
✓ Purchase high-quality, feminized seed	Completed
• Seed germination (off-site)	Underway
• Soil analysis/field preparation/amendment	Underway
• Irrigation system	Underway
• Planting	May - June

SCHEDULE A:

Key Terms of the Note Purchase Agreement	
Purchaser	Atlas Capital Markets
Loan Notes	The Company has issued 2,250,000 loan notes with a face value of US\$1.095 each, for an aggregate amount of US\$2,463,750 (Loan Notes).
Convertible Notes	<p>Subject to obtaining shareholder approval, the Loan Notes will be redeemed and 2,250,000 new convertible notes with a face value of US\$1.095 each (Convertible Notes) will be issued.</p> <p>If the shareholder approval is not obtained, the Loan Notes will remain on issue until the Maturity Date.</p>
Additional Convertible Notes	Subject to obtaining shareholder approval and mutual agreement between the parties, the Purchaser may purchase up to 2,000,000 additional convertible notes on the same terms and conditions as the Convertible Notes.
Conversion	Subject to obtaining shareholder approval, the Convertible Notes may be converted into shares of the Company (Shares), at the election of the Purchaser, at the Conversion Price.
Conversion Price	<p>A\$0.06 per Convertible Note (Fixed Conversion Price) unless adjusted as follows:</p> <ol style="list-style-type: none"> 1. If: <ol style="list-style-type: none"> a. an un-remedied event of default occurs (other than not obtaining the requisite shareholder approval); b. the Company fails to meet certain yields and revenues; c. the average daily trading volume of Shares over a 10 consecutive trading day period is less than A\$100,000; or d. the market capitalisation of the Company, calculated by the number of Shares on issue at 28 May 2019 by the closing price of Shares on ASX at any given trading day, is less than A\$7,500,000, <p>then the Conversion Price will be the lower of the Fixed Conversion Price and 100% of the VWAP on the trading day immediately prior to the date of the Purchaser's conversion notice;</p> 2. If the Company consolidates, subdivides or cancels its Shares the Conversion Price will be reduced or increased in the same proportion; or 3. If the Company agrees after the date of the Note Purchase Agreement, being 27 May 2019, to issue shares, options, debt, equity or equity-linked securities to any person, where the relevant issue price or exercise price is less than A\$0.06, the Conversion Price will be reduced to 20% less than the price of such security.

Investment Amount	The investment amount paid for the each Loan Note was US\$1.00, for an aggregate amount of US\$2,250,000 (Investment Amount).
Maturity Date	The Maturity Date of the Loan Notes and the Convertible Notes (if applicable) is 28 May 2020 (Maturity Date).
Interest	<p>There is no interest payable in respect of the Loan Notes or the Convertible Notes (as applicable) unless:</p> <ol style="list-style-type: none"> 1. shareholder approval is not obtained; or 2. an event of default occurs. <p>If either of the above circumstances occur, interest is payable at a rate of 5% per annum until the Company repays the Loan Notes or Convertible Notes in full. The Company may elect to satisfy repayment or all or part of the default interest by issuing shares to the Purchaser.</p>
Use of Proceeds	The Company must use the funds to support the Company's industrial hemp operation in Oregon, USA.
Security	<p>The Loan Notes or Convertible Notes (as applicable) are secured over:</p> <ol style="list-style-type: none"> 1. the Company's all present and future personal property, assets and rights and interests in any asset, pursuant to a General Security Deed; 2. Logical Cropping LLC, a subsidiary of the Company, pursuant to a direct registrable security agreement to be entered into by 4 June 2019.
Repayment	<p>The Company must make amortization payments as follows:</p> <p>Months 0 - 6: US\$0 / month; and</p> <p>Months 7 - 11: US\$47,500 / month.</p> <p>On the Maturity Date, the Company must repay the Investment Amount and any default interest (to the extent not already repaid or converted).</p>
Early Repayment	<p>Unless an event of default has occurred, the Company may elect to repay the Investment Amount at any time prior to the Maturity Date.</p> <p>The Investment Amount the subject of the early repayment will not include any Convertible Notes that the Purchaser has elected to convert.</p>
Commitment Shares	Subject to obtaining shareholder approval, the Company will issue to the Purchaser such number of shares equal to 4% of the face value at a deemed issue price equal to the 5-day VWAP of Shares immediately prior to 28 May 2019.
Options	Subject to obtaining shareholder approval, the Company will issue to the Purchaser 13,164,893 Options, each with an exercise price of A\$0.08 and an expiry date of 3 years from the date of issue.

Royalty	<p>The Company will pay to the Purchaser a royalty equal to 4% of the Company's (and its controlled entities) total world-wide gross revenue received from the sale of industrial hemp biomass on and from 28 May 2019 for a period of 3 years (Royalty).</p> <p>The Company must pay a minimum Royalty of US\$200,000 in the first 12 months.</p>
Representations and Warranties	The Note Purchase Agreement contains customary representations and warranties for an agreement of this nature.
Events of Default	The Note Purchase Agreement contains customary events of default for an agreement of this nature.
Negative Covenants	The Note Purchase Agreement contains customary negative covenants for an agreement of this nature.