



ROTOGRO

ASX Release

31 July 2019

Quarterly Activities Report for the Period Ended June 30, 2019

Roto-Gro International Limited (“ASX:RGI”, “RotoGro” or the “Company”) is pleased to provide its quarterly activities report for the period ended June 30, 2019.

Quarter Highlights

- The Company secured a AUD \$600,000 purchase order from Frozen Penguin Medical Industries Inc.
- The Company started working with Siksika Herbz GP Inc. for a proposed 150 unit facility located in the province of Alberta, Canada.
- The Company is in discussions for facilities and joint venture partnerships in Malta, Malaysia and Portugal.
- Miracle Valley has commenced cultivation with its RotoGro Systems in conjunction with the support of RotoGro’s Plant Scientist, Delaney Bray-Stone
- The perishable foods trials continue to outperform with Freshero providing confirmation of favourable economics utilising HPS lighting systems with trials now moving to studies around yield and product quality utilising our new state-of-the-art custom LED lighting system.
- The next steps for Freshero include the completion of the fully automated engineering solution for their proposed global facilities, starting with their flagship pilot facility located in New South Wales, Australia.
- The Company is actively pursuing a dual listing on the Canadian Securities Exchange

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Directors

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Michael Di Tommaso (Executive Director)
Michael Slater (Non-Executive Director)
Jamie Myers (Non-Executive Director)
Terry Gardiner (Non-Executive Director)

Company Secretary

David Palumbo





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Operational Overview

The Company has positioned its focus to the cultivation of:

- lawful cannabis through the acquisition of Supra THC Service Inc. (subject to closing conditions) and by pursuing joint ventures with companies holding cultivation licenses for lawful cannabis, capitalising on our patented and proprietary competitive advantage; and
- perishable foods, by way of collaborative ventures in the retail food space.

RotoGro's patented, patent-pending and proprietary Rotational Hydroponic Garden System (the "RotoGro System") delivers proven yield advantages, reduced operational costs and enhanced product consistency (as announced on 12 November 2018). Establishing our first cultivation facility for lawful cannabis to take full advantage of these comparative advantages is a focal point for the Company. At the same time, the Company continues to pursue revenue from the sale of its technology to third-party growers, our perishable food joint ventures, and from our agricultural service offerings.

With a focus on the cultivation of lawful cannabis in Canada and other lawful jurisdictions, the Company is actively pursuing a dual listing on the Canadian Securities Exchange (the "CSE"). In this regard, the Company has retained Wildeboer Dellelce LLP, a prominent Canadian law firm specialised in public company law and recognized as a leader in the cannabis space, to lead the dual listing to compliment the Company's current listings on the ASX and the Frankfurt Stock Exchange.

The CSE listing planned as a non-offering compliance listing, will provide exposure to the largest capital market for cannabis-focused companies globally and facilitate valuation comparisons amongst the Company's Canadian-listed peers. During the quarter, the Company also undertook an oversubscribed capital raise on the ASX from institutional and sophisticated investors for AUD \$3.6M.

Post quarter-end, the Company undertook Board and Management changes to position the Company to execute on the current strategic objectives and planned growth. The Management changes are internal promotions which solidify the executive team and provide autonomy to execute on the Board-approved strategy.

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Production and Sales Pipeline

The Company continues to work with prospective and existing clients, demonstrating our patented and proprietary competitive advantages and unique market positioning in support of providing design and fit-out solutions for lawful cannabis and perishable food growing facilities. These services are delivered across North America, Europe and Australasia, where the Company is in discussions with listed and unlisted lawful cannabis license aspirants.

During the quarter, the Company secured a AUD \$600,000 purchase order from Frozen Penguin Medical Industries Inc. ("**Frozen Penguin**") (as announced on 8 April 2019). Manufacturing of the order was completed post quarter-end where the balance of payment of AUD \$300,000 for the order has been paid with delivery and installation planned for August 2019. The Company also started working with Siksika Herbz GP Inc. ("**Siksika**") located in the province of Alberta, Canada, which is in partnership with Frozen Penguin. The first phase of the design of Siksika's facility provides for 150 RotoGro Systems. The Siksika team will visit the RotoGro manufacturing and research facility located in Caledon, Ontario, Canada (the "**RotoGro Facility**") during the month of August. In addition, the Company has provided several RotoGro Systems to different craft-based growers in North America for testing.

The Company is in discussions for facilities and joint venture partnerships in Malta, Malaysia and Portugal. Although these leads are highly prospective, it is not guaranteed these proposals will convert into sales orders and growing management contracts.

Post quarter-end, Miracle Valley Medical Alternatives M.V.M.A. Ltd. ("**Miracle Valley**") has commenced cultivation with its RotoGro Systems in conjunction with the support of RotoGro's Plant Scientist, Delaney Bray-Stone, in support of their AUD \$2.3M purchase order (as announced April 4, 2018). In addition to technical and strain support, Mr. Bray-Stone has also conducted a tissue culture webinar with Miracle Valley's growing team.

RotoGro's wholly-owned subsidiary, Global Fertigation Solutions ("**GFS**"), continues to perform well in delivering the AUD \$500,000.00 of new sales secured during Q1, CY2019 as well as working on the sales pipeline to secure new orders. GFS will deliver and install three system during Q3, CY 2019.

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The Company's sales pipeline and leads across both technology and agricultural services remains strong, with prospective customers at varying stages of development.

Research & Development

During the quarter, RotoGro's Research Team has made significant progress studying a variety of new strains for yield and quality optimization cultivated with our RotoGro Systems. They have also introduced a new state-of-the-art custom LED (Light Emitting Diode) lighting solution which is "plug and play" to the existing RotoGro System design. Results from these first trials will be shared during the next quarter.

The perishable foods trials continue to outperform with Freshero Pty Ltd ("**Freshero**") providing confirmation of favourable economics utilising High Pressure Sodium (HPS) lighting systems with trials now moving to studies around yield and product quality utilising our new state-of-the-art custom LED lighting system which will provide significant cost savings by way of reduced power consumption. The strawberry trials conducted with Freshero continue to impress with the plants yielding symmetrical fruits, with a good colour and excellent taste.

The next steps for Freshero include the completion of the fully automated engineering solution for their proposed global facilities, starting with their flagship pilot facility located in New South Wales, Australia.

Engineering Design & Innovation

Our Design and Innovation team continue their engineering efforts towards a production-ready fully automated perishable food urban farming facility. These efforts draw on the Company's existing Patented and Patent-Pending designs whilst seamlessly integrating established industry-standard equipment for seeding, planting, harvesting and packing of the final product for retail sale.

Our innovative design accommodates a range of grow mediums which allows our partners and customers to vary their growing mediums, nutrients and water requirements depending on the desired cultivated product. In addition, our Design and Innovation team have recently installed the

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Company's first LED prototype into the perishable food trials to reduce electricity consumption, which is a major component of operational costs.

RotoGro's engineering team are currently working on a general arrangement design for Freshero's pilot facility. The following process flow map visually delineates each process throughout the entire grow cycle, from seed to package.

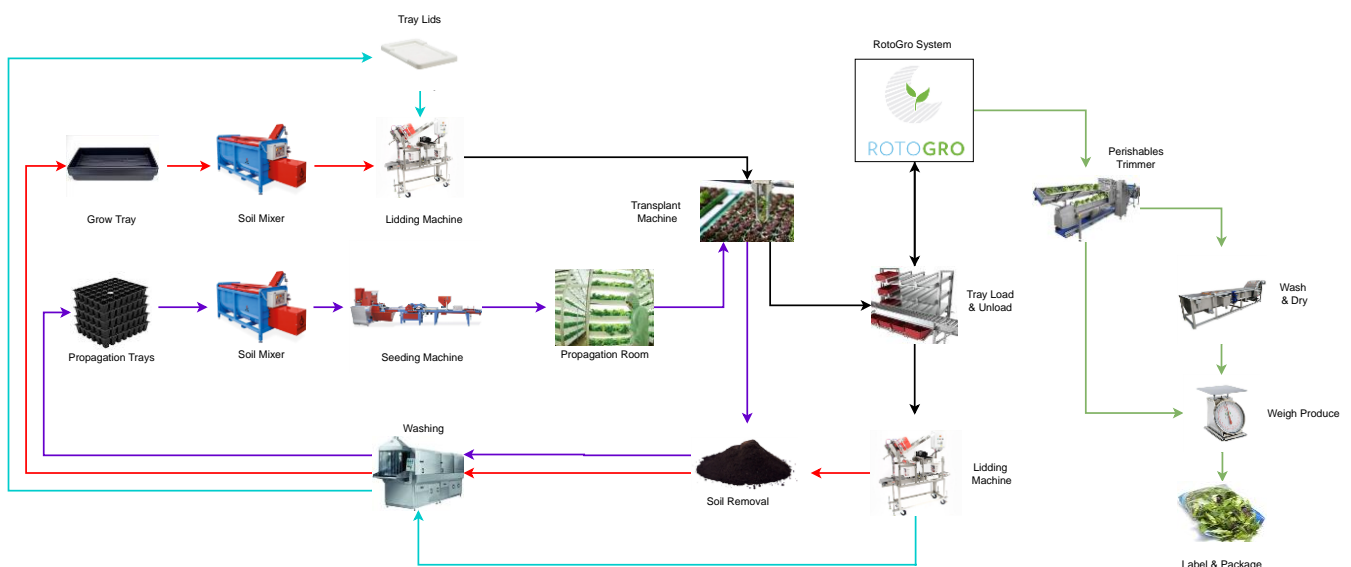


Figure 1: Perishable Urban Farming Facility Process Flow Map

During the quarter, our proprietary iGrow software has undergone a major revision. The team have established new grow scheduling modules, which integrate control of the entire growroom with the feed system for RotoGro's fertigation system.

Cultivation and Strategic Partnerships

As first announced on 29 October 2018, the Company has entered into a definitive share purchase agreement with Valens GroWorks Corp. (CSE:VGW) ("**Valens**") to acquire all of the issued and outstanding shares in the capital stock of Supra THC Services Inc. ("**Supra**"). As announced on 20

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March 2019, Health Canada approved the conversion of Supra's Dealer's License from Canada's *Controlled Drugs and Substances Act* to the recently enacted *Cannabis Act*.

Completion of the acquisition of Supra remains subject to the Company obtaining all requisite corporate and regulatory approvals for transfer of the license address transfer from the current location in British Columbia to the proposed cultivation facility in Ontario. During the quarter, the RotoGro team, with the assistance of Cannabis Compliance Inc., continues to work diligently with Valens, Health Canada and the Town of Caledon (Ontario) for the transfer of address.

Post quarter-end, the Company entered discussions with Gibio Inc. ("**Gibio**") to decline the right to subscribe for additional participation in Gibio's share capital in accordance with the Letter of Intent (as announced on May 22, 2018). Furthermore, the Company has provided the option to Gibio to acquire the Company's 9.09% shareholding in Gibio before March 31, 2020 for the same value paid by RotoGro of CAD \$375,000. Declining the right to subscribe for additional participation in Gibio is consistent with the Company's strategy to move from capital intensive projects and to joint ventures with cultivation partners in both perishable foods and lawful cannabis. Aligning with established cultivation "partners" with secured funding and a clear path to operational revenue is key to RotoGro's successful transition to sustained operational revenue supported by technology sales while striving for near term cashflow positive operations and value appreciation to shareholders.

The Company has commenced discussions for cultivation partnerships in Canada, Malta and Malaysia. These discussions are at early stages with high level terms, commitments and responsibilities of parties being broadly discussed and outlined. Although highly prospective, there is no guarantee these discussions will lead to joint venture partnerships.

Chief Executive Officer, Adam Clode states, "We are extremely pleased with the Company's progress during this quarter. The Company is focused on moving away from capital intensive projects and striving for sustained revenue from establishing cultivation partnerships supported by our patented and propriety technology. Our pipeline for technology sales remains strong with leads at various stages of our customers licensing processes. The research and development, and design innovation

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teams continue to impress with each achievement which will result in success in the Company's bottom line driving shareholder value."

--ENDS--

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 Gibio Inc. and Freshero Pty Ltd. 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 entered into a Share Purchase Agreement to acquire all the issued and outstanding shares in the capital stock of Supra THC Services Inc. which holds a Dealer's License issued by Health Canada for lawful cannabis.

RotoGro's wholly owned subsidiary, Global Fertigation Solutions Inc. ("GFS"), provides a patent-pending specialized business line for water treatment and nutrient management in the viticulture, perishable foods and lawful cannabis space. GFS has successfully provided design solutions, installations and ongoing 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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