

14 February 2020

## Omnibus Announcement – Quarterly Activities Report

CropLogic Limited (**CLI** or the **Company**) wishes to provide an update to shareholders with respect to a range of matters relating to the Company's recent activities, including the following:

1. On 27 December 2019 and 21 January 2020, CLI received a number of queries from ASX relating to its activities including testing, harvest, and cashflows. The Board and management of CLI worked expeditiously to resolve these matters including meeting with the ASX in Perth and in Sydney. The Company's responses to these questions have been released to the market on 13 January 2020 and 3 February 2020.
2. Two immaterial typographical errors present in the Appendix 4D report for the 30 September 2019 financial statements lodged on 3 December 2019 (Half Year Report), namely:
  - a. the date in the title on page 7 of the Half Year Report was incorrect and should have referred to 30 September 2019 and not 31 March 2019; and
  - b. the current borrowings balance appearing in the balance sheet on page 4 of the Half Year Report should have been \$3.298 million not \$0.298 million, however the totals for current liabilities, working capital, total liabilities and other totals in the balance sheet are all correct and include the \$3.298 million.

The Half Year Report had been reviewed prior to their release by CLI and its auditors but were released in with the errors due to an administrative oversight. CLI apologise for this oversight which in any event is not considered to be material to a reasonable person as a reader of these accounts.

3. Short and medium-long term funding packages have been sought from Atlas Capital Markets and other sources. Further, as advised on 20 December 2019, under the terms of the Atlas Convertible Note, a suspension of trading in the Company's securities of more than 5 days is an event of default. Atlas has communicated to the Company that it currently has no intention of exercising its rights under an event of default, and on 29 January 2020, CLI entered into a deed of consent, waiver, covenant and amendment (Atlas Waiver) which waives Atlas' right to exercise an event of default on the basis that CLI's securities have been suspended for more than 5 days. The Atlas Waiver also provides consent to the issue of new shares at less than 6 cents, as required in the Convertible Note Agreement, should CropLogic wish to pursue a capital raising.
4. In order to enable the Company to meet its payroll obligations in January 2020, short term funding of AU\$100,000 was provided to CLI from Company directors comprised of \$50,000 from Mr Steve Wakefield and \$50,000 from Mr Stephen Silver (First Director Loan). The First Director Loan is unsecured, bears no interest and matures on 28 February 2020. An arrangement fee of 5% applies to the First Director Loan and it is in addition to the AU\$250,000 short term loan announced on 20

December 2019 (Short Term Loan). The maturity date of the Short Term Loan has been extended to 28 February 2020 and all other terms of the Short Term Loan remain unchanged.

5. In February, Directors of the Company agreed to provide CLI with AU\$218,250 of additional short-term funding (Second Director Loan). Mr Steve Wakefield, Mr Stephen Silver and Mr John Corbett respectively provided \$67,750 and Mr Peter Roborgh provided \$15,000. The Second Director Loan is unsecured, bears no interest and matures 60 days from the date of the Second Director Loan agreement. At the election of CLI and subject to shareholder approval, the Second Director Loan is convertible to CLI shares at 2 cents per share.
6. Introduction of additional new capital to the Company is critical to enable it to continue, both for the agtech operation (ProAg Services in Washington state, USA) and for the trial farm operation (Logical Cropping, based in Central Oregon, USA), as well as the corporate parent company CropLogic Limited.
7. The Company was due to pay a final instalment of US\$315,000 to the vendors of the ProAg business by 31 January 2020. Under the terms of the relevant agreement, Company has 30 days in which to remedy the matter. In the absence of adequate funding to make this payment, there is a risk that this asset of the CLI business could be repossessed by the vendors under the security agreement entered when the purchase was initially agreed in 2017. CLI directors are currently negotiating with the original vendors to reach an alternative arrangement.
8. CLI directors and management have been working to determine the realisable value of the industrial hemp inventory of approximately 407,296 pounds held in storage at the trial farm site in Oregon. This is a particularly difficult task to do with any precision and confidence. In an immature market without reliable price benchmarks prevailing prices are volatile. Further, because all farms harvest around the same time, there is presently a surplus of low CBD% material on the market. Based on the best available information at this time, the estimated value of CLI's industrial hemp inventory is in the range of AU\$580,000 (low estimate) to AU\$2,090,000 (high estimate) with a mid-point of AU\$1,300,000. These are management estimates based on the available volumes, CBD% rates, and prevailing prices in the Oregon market, however such prices are volatile. This estimate of inventory value has not been audited or independently verified. These estimates include the value of the Company's interest in the trimmed flower joint venture material as announced on 25 July 2019. For this reason, CLI directors have resolved to record a write down in the financial statements for the period to 31 December 2019 to the carrying value of this inventory by AU\$4.0 million, which reduces the value on the balance sheet of the biological assets from AU\$5.3 million to AU\$1.3 million.
9. The Company is in a dispute with NW Ag Solutions LLC, one of its agricultural contractors in Oregon, in relation to the costs invoiced to the Company for services rendered in performing harvesting operations. The outcome of this dispute is currently undetermined as negotiations are ongoing and incomplete. Management of CLI believes that the claimed amounts are overstated and therefore expects that a reduction can be agreed. In the meantime, the agricultural contractor has placed a lien on the inventory held, and under Oregon law has the first right to the proceeds from the sale of that inventory to the extent of the disputed and unpaid amount. The amount claimed by them is approximately US\$575,000. Furthermore, Bradley V. Shephard and Stanley V. Shephard, landlords for LogicalCropping LLC, have threatened to claim a landlord's lien on the inventory held over rent payments. CLI believes that both these disputes can be amicably resolved.
10. Due to CLI's trial farm crop failure (see ASX release dated 20 December 2019) as well as market conditions out of the Company's control, such as a drop in the CBD hemp price, the Company is undertaking a comprehensive review of its operations and financial situation (Review). The Company has engaged KPMG to provide some advisory assistance and Bourke Group to assist in the development of a potential restructuring plan to inform the Review. This work is currently in progress and ongoing but incomplete at this time. As such CLI intends to remain suspended until the earlier of the Review being completed or Monday, 2 March 2020, whichever is earlier.

The CLI board would like to thank its shareholders for their ongoing support. The Company acknowledges that the results from the trial farm are disappointing. Unfortunately, more frequent and extreme weather events have the potential to have a significant impact on cropping operations. The CLI board believes that the Company's management team can mitigate this risk to some degree in future cropping ventures (for instance by greater geographic diversity of fields, earlier planting and harvesting, or by using contract growers in multiple locations) but it will never be able to be fully eliminated. The Company will announce in due course its plans for the coming 12 month period and beyond and we again thank shareholders for their forbearance in the interim

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#### **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 and Northern Oregon, in 2018, CropLogic expanded into the Idaho market. CropLogic offers growers of irrigated crops with digital agricultural technology expertise 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/>

#### **Forward Looking Statements**

This announcement may contain forward-looking statements that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward- looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.