



ROTOGRO

ASX Release

26 February 2020

RotoGro and Valens Agree to Mutual Release from the Supra Transaction

Highlights

- RotoGro and Valens execute Mutual Release for Supra Share Purchase Agreement
- The Supra Transaction has been negatively impacted by changes in both the implementation and application of the legislation following the execution of the Agreement
- No cash payment of \$2M or issuance of 16M RGI shares to Valens
- The Company intends to nurture a collaboration with Valens including a potential offtake agreement in the near future
- The Company remains committed to late-stage applicant, Medicinal Compassion Canni Farms Inc., which will be the Company's entry point into the Canadian cannabis space (as announced on 31 October 2019)

Roto-Gro International Limited ("**ASX:RGI**", "**RotoGro**" or the "**Company**") announces the execution and delivery of a mutual release (the "**Mutual Release**") pertaining to the Share Purchase Agreement (the "**Share Purchase Agreement**") with Valens Growworks Corporation ("**Valens**") to purchase all of the issued common shares in the capital stock of Supra THC Services Inc. ("**Supra**").

Overview: The Supra Transaction

Pursuant to the Share Purchase Agreement dated 23 October 2018, RotoGro agreed to purchase from Valens all of the issued and outstanding common shares in the capital stock of Supra, a wholly-owned subsidiary of Valens (the "**Supra Transaction**"). The Company expected that the Supra Transaction would provide it with accelerated access to the flourishing Canadian lawful cannabis space through the establishment of a lawful cannabis cultivation facility. At the time of the execution of the Share Purchase Agreement, Supra held Dealers Licence No. 2018/6955, issued by Health Canada pursuant to the *Controlled Drugs and Substances Act* (Canada), which was subsequently amended in March 2019

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Jamie Myers (Non-Executive Director)
Terry Gardiner (Non-Executive Director)

Chief Financial Officer

Melanie Leydin

Company Secretary

Melanie Leydin





to an Analytical Licence issued by Health Canada pursuant to the *Cannabis Act* (Canada) and its corresponding Regulations.

Current Canadian Legislative Landscape and Status of the Supra THC Services Transaction

RotoGro and Valens anticipated that the impending legislative changes in Canada pertaining to lawful cannabis and their potential impact on each company's respective business models. Accordingly, the Share Purchase Agreement included several conditions contemplating such changes. Despite the best efforts of both companies since the time of the execution of the Share Purchase Agreement, both RotoGro and Valens agree at this time that changes to both the implementation and application of Canada's new legislation have made it impossible to satisfy all of the conditions set out in the Share Purchase Agreement.

Therefore, RotoGro and Valens have agreed to execute and deliver the Mutual Release, terminating the Share Purchase Agreement and absolving each other of any future responsibilities or liabilities relating to the Supra Transaction. Accordingly, there will not be a cash payment of \$2,000,000.00 or an issuance of 16,000,000 shares in the capital stock of the Company to Valens. RotoGro and Valens intend to collaborate and discuss potential future business, including offtake opportunities in the near future. Each company recognizes the value the other brings to Canada's thriving lawful cannabis space.

RotoGro's CEO, Mr. Adam Clode, states, "Throughout this transaction, we have maintained an excellent working relationship with the team at Valens and expect much of the same as we move into the next phases of our respective businesses. The Supra Transaction was, at the time of execution, a very exciting endeavour for both our companies. However, the pending completion of the transaction has been negatively impacted by changes as to the methods by which Canada's new lawful cannabis legislation has been implemented and applied. We regret that the Share Purchase Agreement will not be completed. However, we are excited to proceed with our recent agreement for the purchase of shares in the capital stock of Medicinal Compassion Canni Farms Inc., which will be RotoGro's entry point into the Canadian lawful cannabis space as we establish our first lawful cannabis cultivation facility (as announced on October 31, 2019). We have enjoyed working with the team at Valens and appreciate Valens's unique and successful business model. We will continue to collaborate with Valens

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and hope to complement Valen's success in Canada's lawful cannabis space with further discussions regarding a potential offtake agreement in the near future."

--ENDS--

For more information please contact

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

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 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 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.

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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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