



ROTOGRO

ASX Release

31 January 2020

Quarterly Activities Report for the Period Ended December 31, 2019

Roto-Gro International Limited (“ASX:RGI”, “RotoGro” or the “Company”) is pleased to provide its quarterly activities report for the period ended December 31, 2019.

Quarter Highlights

- Acquisition of majority interest in Canadian Lawful Cannabis Cultivation Licensee, Medicinal Compassion Canni Farms Inc. (closing subject to conditions);
- Negotiations of terms for the RotoGro-Freshero Joint Venture Agreement for a fully-automated, flagship perishables cultivation and processing facility in Australia;
- Non-binding Term Sheet signed with Rotary Garden Systems SDN BHD for a joint venture pertaining to a lawful cannabis cultivation operation in Thailand led by its wholly-owned subsidiary, Cannagenix SDN BHD;
- Prototypes for the fully-automated perishable cultivation process developed at the Company’s Research and Design Facility in Caledon, Ontario;
- Significant growing trial progress resulting in the optimization of the Company’s state-of-the-art custom LED lighting solution, fertilizers, and various perishables and lawful cannabis strains utilizing the RotoGro Garden Systems;
- Application drafted for research grant in collaboration with Guelph University pertaining to nutrient and lighting optimisation in addition to strain selection and manipulation;
- Statement of Claim issued against RavenQuest BioMed Inc. and others for patent infringement;
- Company completed successful AUD \$2,332,000 placement.

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

Chief Financial Officer

Melanie Leydin

Company Secretary

Melanie Leydin





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Operational Overview

The Company continues its focus to establish itself as a leading cultivator of:

- lawful cannabis, through its pending acquisition of a majority stake in Medicinal Compassion Canni Farms Inc. (“**MCCF**”) and by its continuous pursuit of joint ventures with lawful cannabis cultivation licensees, capitalising on the competitive advantage provided by the Company’s patented and proprietary equipment and systems; 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. RotoGro has moved closer to establishing its first lawful cannabis cultivation operation through the acquisition of the majority of the common shares in the capital stock of MCCF (the completion of this share transaction is subject to the satisfaction of conditions set out in the Asset Purchase Agreement), with the objective to exploit the competitive advantage provided by the Company’s proprietary and patented RotoGro Systems at MCCF’s facility in Guelph, Ontario. Simultaneously, 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.

The Company’s business operations are supported by the granting of two patents in the United States of America (as announced on 25 July 2019) and the granting of our Canadian Patent (as announced on 28 October 2019). In addition, the Company continues to work diligently towards the issuance of parallel patents in both Europe and Australia (recent correspondence lends credence that the European and Australian patents will be granted in CY Q1 2020).

During the quarter, the Company concentrated its efforts on projects and collaborations requiring a low capital entry in both the lawful cannabis and perishable foods marketplaces. The acquisition of a majority stake in MCCF for the cultivation of lawful cannabis (the “**MCCF Acquisition**”) and the non-binding term sheet with Rotary Garden Systems SDN BHD for the cultivation of lawful cannabis in Thailand provide a sound foundation for the commencement of the Company’s lawful cannabis operations in 2020. In addition, the Company continues its support of Freshero Pty Ltd’s (“**Freshero**”)

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first urban vertical farming facility in New South Wales, Australia. These initiatives focus the Company towards long-term sustained operational revenues.

Cultivation and Strategic Partnerships

During this quarter, the Company has continued its focus on cultivation and strategic partnerships. The MCCF Acquisition is consistent with the Company's strategic plan to become a lawful cannabis cultivator in Canada's nascent cannabis space. MCCF anticipates that Health Canada will grant its cultivation and processing licenses in Q1 CY 2020. The MCCF cultivation and processing facility will provide a platform for the Company to showcase is the RotoGro System on a commercial scale, while generating a constant stream of revenue.

The Company also signed a non-binding term sheet with Rotary Garden Systems BDN BHD ("**RGS**") for a joint venture pertaining to a lawful cannabis cultivation operation in Thailand (the "**RGS Term Sheet**"). The RGS Term Sheet provides for technology sales, growing management services, and a net profit share for the proposed commercial operations of Cannagenix SDN BHD, a wholly-owned subsidiary of RGS. These proposed commercial operations in Thailand are in partnership with Suan Sunandha Rajabhat University in Bangkok, Thailand and the Thailand government. Negotiations for a definitive agreement with RGS are ongoing. In this regard, the Company will update the market during the course of Q1 CY 2020.

The Company has also moved closer to entering the perishable food space by advancing discussions with Freshero for a proposed equipment purchase and royalty agreement (the "**Freshero Agreement**"). The Freshero Agreement will be the stepping-stone for Freshero's proposed state-of-the-art flagship facility located in New South Wales, Australia, from which it intends to expand its operations to similar facilities outfitted with RotoGro Systems globally. The recent devastating bushfires in New South Wales, Australia have resulted in delays to finalising the Freshero Agreement. However, the Company is confident that it will finalise the plans and requirements for Freshero's first facility.

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In addition, the Company is actively discussing other collaborative cultivation ventures in Canada, Portugal and Malta. 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.

Production and Sales Pipeline

The Company continues to work with prospective and existing customers, demonstrating the patented and propriety competitive advantages of the RotoGro System and the Company's unique proposition of providing design and fit-out solutions for lawful cannabis and perishable food cultivation facilities. These services are available to our customers and prospective customers across North America, Europe and Australasia, where the Company is in discussions with listed and unlisted lawful cannabis license aspirants.

During this quarter, Miracle Valley Medical Alternatives M.V.M.A. Ltd. ("**Miracle Valley**") harvested its first lawful cannabis crops cultivated exclusively with RotoGro Systems and our proprietary software. Miracle Valley was extremely pleased with the quality and yield of the plants, which exceeded its expectations. Furthermore, Oakum Cannabis Corporation ("**Oakum**") planted its first crops in its newly installed and commissioned facility outfitted with RotoGro Systems. Early indicators point towards a very successful first harvest. The Company will provide the market with updates as both Miracle Valley and Oakum deliver data pertaining to their respective harvests.

The Company is in the final stages of negotiations with Siksika Herbz GP Inc. ("**Siksika**") (located in the province of Alberta, Canada, and an affiliate of Oakum) for a technology purchase agreement to outfit the first phase of Siksika's facility with RotoGro's patented and proprietary technology, including RotoGro Systems together with our proprietary fertigation system and software systems. Our most recent proposal has been submitted to the Board of Directors of Siksika for approval.

In addition, the Company has several proposed technology sale and purchase agreements currently with customers and under review. Although these leads are highly prospective, it is not guaranteed these proposals will convert into sales orders and growing management contracts. However, we are

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hopeful of converting these proposed transactions into sales as we continue to work with new and existing customers at varying stages of their development.

Research & Development

During the quarter, RotoGro's Research Team has focused on the optimisation of RotoGro's proprietary LED (Light Emitting Diode) lighting solution, plant fertilisers, and cannabis strain selection. Full-scale trials of our LED light solution in the cultivation of various lawful cannabis strains have demonstrated consistent cannabinoid levels and THC whilst maintaining impressive yields. These trials have also established that RotoGro's proprietary LED lighting solution has the ability to control plant height more effectively in the RotoGro System.

During the next quarter, the RotoGro Research Team will continue to test various lighting intensities and spectrums for the purpose of further reducing the RotoGro System's power consumption and demonstrating the lighting advantages of our proprietary technology. In addition, the team have been testing various fertiliser recipes for specific strain optimisation. These tests are progressing extremely well, assisting the team with creating strain-specific recipes for cannabis cultivated within the RotoGro Systems.

Perishable food growing research for Freshero continues to progress well. The RotoGro Research Team have maintained their focus on leafy greens with RotoGro's proprietary LED lighting solution, which has proven to significantly lower costs by way of reduced power consumption. Trials for other perishable product lines utilising the Company's proprietary LED lighting solution will begin in Q1 2020 (including strawberries which, to this point, had been grown under traditional high pressure sodium lamps). The team will continue to introduce additional product lines into trials as we enter 2020.

During the quarter, RotoGro's Research Team, alongside Guelph University (Canada's premier post-secondary institution for agricultural sciences), has completed an application for an Alliance Grant to Canada's National Sciences and Engineering Research Council ("NSERC"). This grant is for university-based research pertaining to nutrient and lighting optimisation, as well as strain selection and manipulation to optimise various plant varieties being cultivated in RotoGro Systems. The Company

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expects this application to be lodged and approved in Q1 CY 2020, following which the Company will undertake the necessary steps to begin the research project.

Engineering Design & Innovation

During the quarter, the Company completed a prototype of the fully automated engineering solution for urban vertical farming (the “**RotoGro Perishables Prototype**”). With the RotoGro Perishables Prototype now in operation, the Company will develop a further nine units of the RotoGro Perishables Prototype to be placed into the growrooms at our state-of-the-art research facility in Caledon, Ontario Canada. The Company also plans to setup a working pilot plant in an operational environment. The pilot plant will be used to undertake reliability and serviceability analysis of the automated perishable facility to ensure all engineering bugs are eliminated prior to implementation on a commercial scale. In parallel, the Company continues to support Freshero with its applications and approvals for our first joint venture urban vertical farming facility in New South Wales, Australia. The Company will keep the market updated as approvals are received and formal agreements are progressed.

During the quarter, the Company completed the rollout of its RotoGro Enterprise Software. The Enterprise software provides an upgrade from the existing automated control software to integrate the Company’s fertigation control centre with allows automation and control (including remote access) via touchscreen panels.

Administration

During the quarter, the Company issued and served a Statement of Claim for patent infringement against RavenQuest BioMed Inc. (CSE:RQB) (“**RavenQuest**”), George Robinson, and others. RavenQuest subsequently served RotoGro with its Statement of Defense and Counterclaim, to which RotoGro will respond imminently by filing its Reply to the Statement of Defence and its Statement of Defence to the Counterclaim. Despite RavenQuest’s Defense and Counterclaim, RotoGro remains confident in that its claim for patent infringement.

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RotoGro completed its third Annual General Meeting in November 2019. The Company's shareholders voted to approve all resolutions as tabled and they continue their support of the Company's strategic direction and management. The Company also completed a well-supported capital raise for AUD \$2,332,000 from institutional and sophisticated investors, which was led by Baker Young Stockbrokers.

Post-quarter end, the Company retained Computershare Investor Services Pty Ltd to administer its Share Registry (formerly administered by Link Market Services), where shareholders may efficiently manage their holdings through a secure and accessible online investor portal.

Chief Executive Officer, Adam Clode states, "We are very pleased with the milestones and achievements this quarter. The Company remains focused on cultivating joint ventures in both the lawful cannabis and perishable foods spaces as we look to create shareholder value through sustained operational revenue. The proposed cultivation collaborations are well-supported with a strong sales pipeline of near-term prospective sales as our current successes of Oakum and Miracle Valley become more well-known across the global cannabis space. We continue working very closely with Freshero as it moves closer to development of its first perishable foods, urban vertical farm in Australia and we continue to build out a detailed dossier of product lines for the retail supermarket space. I would like to thank the hard work of our dedicated team, as well as the support of our shareholders and corporate advisors as we move into the new year with much promise and poise across the highly prospective opportunities the Company has created over the past 6 months."

--ENDS--

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This announcement is 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 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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Forward-Looking Statements

Certain statements in this announcement are forward looking statements. Forward looking statements can generally be identified by the use of words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe”, “target”, “may”, “assume” and words of similar import. These forward-looking statements speak only as at the date of this announcement. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

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