



ROTOGRO

ASX Release

31 October 2019

RotoGro Set for Q3 2020 Cannabis Production with Acquisition of Majority Interest of Canadian Cultivation Licensee

Highlights

- Acquisition of 51% of the capital stock in Medicinal Compassion CanniFarms Inc., a late stage applicant for Health Canada Cultivation and Processing Licenses
- The proposed acquisition in line with the Company's strategy of moving away from capital intensive projects and striving for sustained revenue through cultivation partnerships
- CanniFarms's facility is comprised of approximately 55,000 square feet, with the first phase of its proposed production to utilize approximately 25,000 square feet
- CanniFarms expects Health Canada to issue its Cultivation Licence in the near term having met all regulatory requirements and mandatory submissions
- Purchase price of CAD \$100,000 (A\$110,000*) Cash and CAD \$6,750,000 (A\$7.425m*) in RotoGro Shares issued at CAD\$0.225 (A\$0.2475*) per share, a premium to the current share price
- The payment of the RotoGro Shares is conditional upon the issuance by Health Canada of a Cultivation License to CanniFarms
- Following the issuance of the Cultivation License, RotoGro plans to cultivate CanniFarms first commercial scale lawful cannabis crops within 6 months, expected Q3 2020

Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of Roto-Gro International Limited ("ASX:RGI", "RotoGro" or the "Company"), is pleased to announce that it has entered into a conditional Share Purchase Agreement for the acquisition of 51% of the issued common shares in the capital stock of Medicinal Compassion Canni Farms Inc. ("CanniFarms"), an applicant for Health Canada cannabis cultivation and processing licenses (currently in late stages of the application process) for CAD \$6,850,000 (CAD \$100,000 Cash and CAD \$6,750,000 in RotoGro Shares issued at CAD\$0.225).

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

Chief Financial Officer

Melanie Leydin

Company Secretary

Melanie Leydin





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About Medicinal Compassion Canni Farms Inc.

CanniFarms, a privately-held corporation incorporated pursuant to the laws of the Province of Ontario, Canada, is an innovative company with a state-of-the-art facility located in Guelph, Ontario, Canada focused on lawful cannabis production (the “CanniFarms Facility”). The CanniFarms Facility is comprised of approximately 55,000 square feet of which approximately 25,000 square feet consists of numerous grow rooms for the proposed cultivation of lawful cannabis utilizing RotoGro’s patented and proprietary Hydroponic Rotational Garden Systems (the “RotoGro Systems”) for the first phase of CanniFarms’s project (“Phase One”). Additional cultivation rooms will be built-out as Phase One progresses. CanniFarms, in collaboration with RotoGro, will commence the build-out of the second phase of the CanniFarms Facility in Q4 2020, to be comprised of approximately 30,000 square feet, significantly increasing the capacity of its lawful cannabis cultivation and production utilizing additional RotoGro Systems and RotoGro’s proprietary technology and software.

License Status and Requirements to Issuance of License

CanniFarms is an applicant for Health Canada Cultivation and Processing Licenses in the late stages of the application process. CanniFarms has represented that all regulatory requirements and mandatory submissions have been satisfied it expects that a Cultivation License will be issued by Health Canada in the near term.

Chief Executive Officer, Adam Clode, states, “We are very excited about the prospect of acquiring a majority interest in a late stage Health Canada cannabis cultivation and processing license applicant. The proposed acquisition is inline with the Company’s strategy of moving away from capital intensive projects and striving for sustained revenue from establishing cultivation partnerships. We look forward to CanniFarms near term issue of a Health Canada approved cultivation license and moving the Company in to sustained operational revenue capitalising on our patented and proprietary technology providing the lowest cost of production for indoor cannabis cultivation.”

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Transaction Overview

The Company will acquire the majority of the issued common shares in the capital stock of CanniFarms (the “Transaction”) in exchange for the following consideration:

- o CAD \$100,000 (A\$110,000*) cash payable following the approval of the Transaction by the shareholders of the Company at the Company’s Annual General Meeting;
- o CAD \$6.75 million (A\$7.425m*) in ordinary shares of RotoGro to be issued at CAD \$0.225 (A\$0.2475*) per share such shares will be voluntary escrowed for 12 months from the successful completion of the Transaction.

The Share Purchase Agreement between RotoGro and CanniFarms is conditional on the issuance by Health Canada of a Cultivation License, the approval of the shareholders of the Company at the Company’s Annual General Meeting (proposed for Friday November 29, 2019) and other typical conditions for transactions similar to the Transaction.

CanniFarms’ principals and its minority shareholders will remain with CanniFarms as part of the operational and management team for the CanniFarm’s project.

Strategic Rationale of CanniFarms Acquisition

RotoGro’s patented and proprietary technology (including its RotoGro Systems) has been designed and continues to be refined for integration into facilities focusing on the cultivation of lawful cannabis and perishables world-wide. The Company’s decision to acquire a majority stake in a Canadian lawful cannabis company was predicated on the view that cannabis cultivation streamlines the Company’s business model – vertical integration of a potentially highly profitable lawful cannabis cultivation operation, premised on RotoGro’s patented and proprietary technology, directly into the RotoGro business structure. CanniFarms is an innovative company, with a state-of-the-art facility, primed to commence the process of cultivating cannabis utilizing the RotoGro Systems following the issuance of its Cultivation Licence. This acquisition is consistent with the Company’s efforts to invest in projects with minimal capital outlays and healthy revenue streams. Additionally, the current infrastructure of CanniFarms will be sufficient to manage Phase One independently. However, CanniFarms and the Company plan to add staff once the CanniFarms Facility commences operations.

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Proposed CanniFarms Cultivation Facility

Following the successful completion of the Transaction and the awarding of the Health Canada Cultivation and Processing Licenses, RotoGro and CanniFarms will immediately commence the cultivation of lawful cannabis in two of the CanniFarm Facility's grow rooms and they will commence the build-out of additional grow rooms to integrate the RotoGro Systems and RotoGro's other proprietary technology. The Company is confident that the Transaction is both a pertinent and opportune acquisition that is consistent with The Company's current business model.

* CAD/AUD rate of 1.1

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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

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shares in the capital stock of Supra THC Services Inc. which holds a Dealer's License issued by Health Canada for lawful cannabis. 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.

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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