



ROTOGRO

ASX Release

27 October 2020

RotoGro Executes Growing Management Services Agreement with Canniberia Providing a 25% Profit Share

- RotoGro executes a **five-year** Growing Management Services Agreement with Canniberia LDA (Portugal) providing a **25% profit share** from the sale of lawful cannabis flower

Roto-Gro International Limited (ASX:RGI) ("**RotoGro**" or the "**Company**") is pleased to announce that its wholly-owned subsidiary Roto-Gro World Wide (Canada) Inc. has executed a five-year Growing Management Services Agreement with Canniberia LDA ("**Canniberia**") (the "**Agreement**") pursuant to which Canniberia will pay RotoGro a net profit share of 25% of the EBITDA earned on the sale of lawful cannabis flower produced at Canniberia's proposed state-of-the-art lawful cannabis cultivation facility located in the City of Moura, in the District of Beja, Portugal (the "**Canniberia Facility**").

The Agreement provides for an initial term of five years with an option in favour of Canniberia to extend the initial term by a further five years. Under the Agreement, the Company agrees to provide Canniberia with a dedicated growing management services team (the "**Services Team**") to manage the cultivation process at the Canniberia Facility.

The Services Team will provide the following services under the Agreement (the "**Services**"):

- a) management of Canniberia personnel at the Canniberia Facility (the "**Facility Personnel**");
- b) education and training of all Facility Personnel in the operation of the Company's Model 420IT Rotational Hydroponic Garden Systems, together with RotoGro's supporting technology and infrastructure (the "**Garden and Fertigation Systems**"), to be supplied by the Company to the Canniberia Facility under a Purchase and Sale Agreement (the "**Purchase and Sale Agreement**"), which was announced by the Company on October 20 and 23, 2020 (see RGI's ASX Announcements entitled "\$1.9m Technology Purchase Order Secured from Canniberia" and "Canniberia \$1.9M Technology Purchase Order Clarification");

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Michael Di Tommaso (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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- c) continuous monitoring of lawful cannabis growth cycles at the Canniberia Facility;
- d) implementation of continual upgrades to the Company's proprietary growth software; and
- e) management of manufacturing, procedural, agricultural and collection compliance at the Canniberia Facility.

Under the Agreement, RotoGro is entitled to the net profit share of 25% of the EBITDA earned through the sale of lawful cannabis flower produced in the Canniberia Facility (the "**Profit Share**"), together with the reimbursement of its reasonable direct costs and expenses incurred to provide the Services. The Profit Share shall be paid to RotoGro on a quarterly basis in arrears, for the term of the Agreement.

The Services Team will be comprised of a Responsible Person in Charge (facility manager), Master Grower, Quality Assurance person, and Head of Security.

The Agreement is contingent on Canniberia being granted a lawful cannabis cultivation licence from Infarmed I.P. (Portugal) (the "**License**"), and the deriving revenue and the performance of the parties under the Agreement is conditional on such grant, as distinct from Canniberia receiving a lawful cannabis cultivation pre-licence from Infarmed I.P. (the "**Pre-License**"). The Agreement is also contingent on the conditions contained in the Purchase and Sale Agreement being satisfied. The indicative timetable to the grants of both the Pre-License and the License is set out in the Company's ASX announcement of October 23, 2020 (the "**Timetable**") (see RGI's ASX Announcement entitled "Canniberia \$1.9M Technology Purchase Order Clarification"). The Agreement may be terminated by either party on 60 days' written notice.

RotoGro and Canniberia anticipate that the delivery of RotoGro's Garden and Fertigation Systems to Canniberia will commence in Q1 CY2021. In turn, RotoGro expects to commence providing the Services in Q2 CY2021, once the Canniberia Facility is operational, after the onsite assembly, installation, testing, certification, and commissioning of the RotoGro Garden and Fertigation Systems, and once the License has been granted to Canniberia from Infarmed I.P.

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Canniberia has advised the Company that it is targeting the production of a minimum of 2,000 kg of dry flower cannabis per annum at the Canniberia Facility, with cultivation and production (for sale) of the lawful cannabis flower expected to commence at the Canniberia Facility in around six months and nine months, respectively, following the grant of the License to Canniberia from Infarmed I.P. (Portugal).



Rendering of RotoGro's proprietary iGrow Software System

Canniberia's CEO and Managing Partner, Mr. Paulo Leandro, states, "We are excited to have RotoGro's dedicated growing management team contracted to manage our state-of-the-art cultivation facility. After considerable time researching best practises for cannabis cultivation there was no better choice

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for us than using the RotoGro system. In order to maximise yield and superior quality cannabis, it makes sense that the dedicated RotoGro team will provide a shortened ramp up to steady state operations and will continue to maximise yields and revenue throughout the duration of the contract. We are looking forward to the award of our cannabis cultivation license and implementation of the RotoGro system.”

Non-Executive Chairman, Michael Carli states, “We are very excited about this five-year agreement with Canniberia as we establish our European footprint and build on our growing management offering. The 25% net profit share aligns the goals of both companies with a “win-win” opportunity to maximise yield and revenue, while maintaining a low operating cost base. It has been a pleasure to work with the team at Canniberia and we look forward to our long-term collaboration. I must commend RotoGro’s executive management team for their hard work and continued dedication to executing on the Company’s business strategy. Their ability to identify opportunities and to deliver both technically and commercially are a great asset to our business.”

About Canniberia LDA

Canniberia has three production buildings located in the city of Moura, in the District of Beja, Portugal (the Canniberia Facility) and plans to establish itself as a large-scale European cultivator of high-quality medicinal cannabis products. The Canniberia Facility will be built out as a state-of-the-art cannabis cultivation hub, outfitted with RotoGro’s Model 420IT Rotational Garden Systems together with RotoGro’s supporting technology and infrastructure, including RotoGro’s proprietary Plant Nutrient Delivery System. The Canniberia Facility will be built in two phases.

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

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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 Freshero Pty Ltd and Verity Greens for perishable foods. 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 also provides a patent-pending specialised business line for water treatment and nutrient management in the viticulture, perishable foods and lawful cannabis space. The fertigation business line has successfully provided design solutions, installations and 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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