



ROTOGRO

ASX Release

08 October 2020

RotoGro Executes Term Sheet for Technology License Agreement

Roto-Gro International Limited (“ASX:RGI”, “RotoGro” or the “Company”) is pleased to announce it has executed a term sheet for a Technology License Agreement with Verity Greens Inc. (“Verity Greens” or “Verity”), pertaining to a technology and patent license for use in the cultivation of perishable foods, with global exclusivity based on a right of first refusal (the “Term Sheet”).

The Term Sheet provides for technology sales and annual licensing fees which are consistent with the Company’s strategy which embraces less capital-intensive business partnerships and collaborations. The Company is adamant that this strategy provides it with the optimal path to roll out its commercial operations in the global indoor urban vertical farming space. Thorough financial modelling shows that the estimated capital required to build a commercial scale indoor vertical farm complete with downstream processing, packing and storage is approximately AUD \$30M per facility.

Verity Greens has not only the expertise and the experience but the financial resources to successfully fund and develop RotoGro’s first indoor urban vertical farming operation within the next 18 months.

Verity Greens

Verity Greens is positioned to lead the world in the burgeoning wave of safe, secure and sustainable food production; striving to establish itself as a leader in the indoor vertical farming space. Verity’s mission is to provide the world’s population with secure and sustainable access to clean, pesticide-free, nutritious, locally grown food, year-round, regardless of socio-economic status. To execute its strategic plan, Verity has chosen to capitalize on RotoGro’s exclusive patented and proprietary cultivation technology which will facilitate long term off-take agreements for sustainable year-round fresh produce production. With an experienced core of industry-leading agricultural and fresh produce professionals, Verity Greens has a wide-array of expertise to provide vertically integrated supply chain solutions to its customers.

Registered and Business Office

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Directors

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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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Details of the Proposed Transaction

The Term Sheet provides for entering the Definitive Agreement on the following principle terms:

Global Technology License:

A technology and patent license for use only in the cultivation of perishable foods, with global exclusivity based on a right of first refusal by country (i.e., if Verity Greens fails to exercise its right to the license for any country, RotoGro shall have the right to use its patented and proprietary technology in such country).

License Term:

Initial term of 20 years, with rights to renew for a further 5-year term.

Purchase of Technology:

During the first 5 years of the initial term of the Definitive Agreement, Verity Greens shall have the option to purchase RotoGro's Model 710 inclusive of all supporting technology and infrastructure pursuant to an ancillary purchase agreement for the purchase price of CAD \$14,000.00 plus applicable taxes per unit. Following the first 5 years of the initial term, the said purchase price is subject to renegotiation between the parties with both parties acting reasonably and for the mutual benefit of both parties.

Right to Manufacture:

During the first 5 years of the initial term of the Definitive Agreement, Verity Greens shall have the right to manufacture RotoGro's Model 710 pursuant to an ancillary original equipment manufacturer (OEM) agreement which provides for a license fee in the amount of CAD\$2,000.00 plus applicable taxes per unit. Following the first 5 years of the initial term, the said license fee is subject to renegotiation between the parties with both parties acting reasonably and for the mutual benefit of both parties.

Software License Fee:

Verity Greens shall pay RotoGro an annual license fee for the use of its proprietary software (including Rotogro's iGrow® cultivation management software) equivalent to 1% of the total price for the purchases of RotoGro's Model 710 executed pursuant to its option to purchase (the annual fee shall be capped at 500 units of RotoGro's Model 710 per facility).

Proposed Net Profit Interest

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Verity Greens and RotoGro will negotiate a Net Profit Interest to be captured in the Definitive Agreement.

Conditions to Execution of the Definitive Agreement

Conditions to the execution and completion of the transactions arising from the Definitive Agreement shall include those standard and customary conditions, including the completion of due diligence regarding the Company and the following:

1. Verity Greens to complete economic market assessment to confirm to RotoGro the country that it has designated for its first cultivation facility by no later than April 30, 2021;
2. Verity Greens to confirm to RotoGro the province/state and municipality that it has designated for its first cultivation facility by no later than September 30, 2021; and
3. Verity Greens and RGI must execute the ancillary purchase agreement for the purchase of no less than 624 units of RotoGro's Model 710 by no later than December 31, 2021.

Definitive Agreement

Following the execution of the Term Sheet by the Parties, RotoGro shall instruct its lawyers to create the Agreements by no later than 14 days after the execution of this Technology Licensing Agreement. The Definitive Agreement shall include such terms and conditions as are necessary to make binding the terms and conditions of this Term Sheet (it being acknowledged by the Parties that this Term Sheet reflects the current status of discussions between the Parties and the terms reflected in the Definitive Agreement may be different from those set out herein) and such other terms and conditions as are customary and usual in connection with a Technology Licensing Agreement.

Following delivery of the initial drafts of the Agreements to Verity (the "Delivery"), the Parties agree to finalise and execute the Agreements no later than 14 days from the date of the Delivery. If the Definitive Agreement is not executed within 14 days from the date of the Delivery, this Term Sheet shall be void and unenforceable.

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The Technology License Agreement contemplated by the Term Sheet is subject *inter alia* to the satisfactory completion of the due diligence regarding Verity Greens.

Non-Executive Chairman, Michael Carli states, "The unprecedented impact of the COVID-19 pandemic has changed the way the world's economies function. The appetite to undertake large capital projects boasting innovative technologies has changed radically during these times. After months of considering suitable partners, we are excited about the imminent agreement with Verity Greens and the proposed timeline for our very first global indoor urban vertical farm. We believe that the demand for RotoGro's patented and proprietary agricultural technology in a world of continuous change and uncertainty will only increase, as food security and supply chain integrity (both international and domestic) come to the fore. Our global operational collaboration with Freshero will provide us with the platform to establish our patented and proprietary perishable food solution across the world in partnership with Verity Greens. This will provide the Company with significant revenue-generating opportunities. The future of agriculture is upon us and RotoGro is ready to deliver."

--ENDS--

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

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 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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