

6 August 2019

## Hemp Trial Farm Secures Supply Agreement

### Highlights

- **Supply Agreement validates CropLogic agronomy, farm management and agtech expertise**
- **Supply Agreement represents less than 30% of production estimate**
- **Discussions continue for contract and option of full potential production**
- **Product to Central Oregon specialist hemp processing facility**

CropLogic Limited (ASX:CLI) (**CropLogic** or **Company**), award-winning global agronomy, farm management and agtech company, is pleased to advise that it has executed a Supply Agreement with Deschutes Labs, a new industrial hemp processing facility located in Central Oregon, USA.

“This initial sale confirms that CropLogic’s agronomy, farm management and agtech expertise can be successfully applied to industrial hemp and has been recognised by industry participants.” said CropLogic CEO James Cooper-Jones, “This Supply Agreement establishes CropLogic as a viable producer and assists in developing credibility amongst other hemp farmers that we are pitching to.”

### Sales Rationale

In approaching biomass sales, CropLogic employs common cropping strategies including sales to a diversified buyer base. This principle avoids sale of biomass to a single buyer, mitigating default risk.

CropLogic has also adopted a forward marketing percentage principle where biomass available for sale or option increases during the cropping cycle as key milestones are met. Under this policy, this Supply Agreement has been limited to less than 30% of total production estimates. More product will be released to market as compliance testing is completed in September.

### Supply Agreement

The Supply Agreement provides that CropLogic’s wholly owned subsidiary, Logical Cropping LLC, will supply Biomass in weekly allotments beginning 20 October 2019. Payment in US\$ will follow each delivery. Provided these deliveries are completed the total Supply Agreement value is US\$10,500,000 (A\$15.4 million)<sup>1</sup>.

---

<sup>1</sup> RBA 2/8/19 US\$1:A\$0.6812

The terms that under which the Supply Agreement can be terminated include in the event of force majeure, insolvency or material breach. The terms of the Supply Agreement are otherwise what the Company considers to be standard commercial terms for an agreement of this type.

### Deschutes Labs

Deschutes Labs is a new industrial hemp processing facility strategically located in Central Oregon with a phase 1 processing capacity of over 10,000 lbs per day. The lab will commence operations in September 2019 and will be licensed to produce food grade extracts and designed and operated according to GMP and ISO 9000 standards. Deschutes Labs is supported by sophisticated investors and family offices out of New York and New York State who have been attracted to this industry following the passing of the USA Farm Bill in 2018.

The Deschutes Labs management team has worked in the CBD and extract industry and have a track record of success in the cosmetics industry including the successful marketing of retail products.

Anthony Vivolo, manager of Deschutes Labs, said, “Our mission is to produce the highest quality hemp extracts and isolates from premium American grown industrial hemp. Deschutes Labs is proud to be operated by the industry's best, boasting an extraction team with over a decade of professional experience. Determined to offer the highest quality products for the rapidly growing consumer market, we spared no expense in designing our state of the art facility. While being fully compliant with industry-leading safety and regulation standards, our lab was designed to reach maximum extraction potential.

“We are proud to be a reputable CBD wholesaler offering quality, consistency, and accountability.

“Through our relationship with CropLogic, a growing partner offering vast knowledge in hemp genetics, we can offer our customers consistent and abundant CBD products.”

### Hemp Trial Farm Review

CropLogic has successfully planted 500 acres of CBD producing hemp biomass, and has embarked on a joint venture program to grow an additional 16.6 acres of premium trimmed flower hemp, all to showcase its agronomy, farm management and agtech skill set including its leading product CropLogic realTime<sup>2</sup>.

In response to market demand, management has been tasked to report and recommend strategies for enhancing the project in the next growing season (2020), drawing on lessons learned through the Hemp Trial Farm.

#### The eight stages of hemp farming

Logical Cropping's farm plan consists of eight stages, based on the needs of the farm and plants.

These various stages of the farm plan are (with indicative timeline):

- |                                    |                  |
|------------------------------------|------------------|
| ✓ Pre-planting                     | <b>Completed</b> |
| ✓ Planting                         | <b>Completed</b> |
| • Growth, Maintenance & Management | Jun - Nov        |
| • Flowering                        | Aug - Sept       |
| • Compliance Testing               | Sept             |
| • Harvest                          | Sept - Oct       |
| • Processing/Sale                  | Oct – Nov        |
| • Post-harvest                     | Nov – Dec        |

<sup>2</sup> **CropLogic realTime** – The hardware technology monitors and tracks key crop metrics, such as soil moisture and irrigation, and converts observations into data 24/7. This information is then collated in a concise and accurate format, providing actionable insights for users to make cost-saving decisions. Users can view this data in a user-friendly application called CropLogic GrowerView, which can be accessed via desktop, as well as on both Android and Apple iOS. CropLogic has developed this tool with the expertise of leading agronomists, leveraging over 30 years of research.

CropLogic CEO James Cooper-Jones said, “CropLogic has received many enquiries and is seen as a corporate primary producer and farm manager. We will seek to understand larger scale local production and I am sure our experienced team will be able to present a strong business case for further development of our hemp expertise.”

The Hemp Trial Farm Review will include assessment of seed selection and performance and scope for larger scale growing operations and application of agtech considerations in scale up.

**For further information please contact:**

**James Cooper-Jones**

Chief Executive Officer

**CropLogic Limited**

**M:** +61 419 978 062

**E:** james.cooper-jones@croplogic.com

 MMR Corporate Services Pty Ltd

Level 2, 131 Macquarie Street

Sydney, NSW 2000 Australia

**P:** +61 2 9251 7177

**E:** croplogic@mmercortporate.com

### **About CropLogic**

CropLogic is an award-winning global agricultural technology company listed on the Australian Securities Exchange (ASX). After launching its product into Washington State, USA in 2017, CropLogic is currently servicing a significant portion of horticultural growers in this region, with a market share as high as 30% in some crops. Following significant growth (2017-2018) in Washington State and Northern Oregon, in 2018, CropLogic expanded into the Idaho market. CropLogic offers growers of irrigated crops with digital agricultural technology expertise based upon scientific research and delivered with cutting edge technology – science, agronomy and technology interwoven into an expert system for decision support. For more information, please visit: <http://www.croplogic.com/>

### **About Deschutes Labs**

Deschutes Labs is a brand new industrial hemp processing facility strategically located in Prineville, Oregon. Their American manufactured high capacity ethanol extraction facility, with a daily throughput of 10,000 + lbs of industrial hemp biomass, can extract industrial hemp biomass and convert it to CBD crude oil (full spectrum oil), CBD Distillate, and CBD Isolate.

Deschutes Labs is determined to not only meet but exceed industry standards but will be one of the few GMP and ISO 9000 certified CBD extraction facilities in the United States. Their aim is to set the bar high in Central Oregon and beyond for how a hemp processing lab should operate at an industrial-scale. Deschutes Labs brings a level of professionalism to an industry that previously lacked structure and maturity.

### **Forward Looking Statements**

This announcement may contain forward-looking statements that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant

technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward- looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.