



Science | Agronomy | Technology  
New Zealand | Australia | USA

3 February 2020

Ms Sandra Wutete  
Senior Adviser, Listing Compliance (Perth)  
ASX Compliance Pty Ltd  
Level 40, Central Park  
152-158 St. Georges Terrace  
Perth WA 6000

By email

Dear Ms Wutete

**CropLogic Limited ('CLI'): Response to Aware Query**

CropLogic Limited (CLI or **Company**) is pleased to respond as follows to the questions set out in ASX's letter to CLI dated 21 January 2020. Please see responses in the attached response matrix.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Steve Wakefield". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

**Steve Wakefield**  
Chairman  
CropLogic Limited

**CropLogic Limited**  
**ASX Query Letter – Reference 11991**  
**21st January 2020**  
**Response Matrix**

**Prologue and Background**

This document provides the Company's answers to the questions incorporated in the ASX Aware letter provided to the Company on 21 January 2020 (Reference 11991). This Prologue and background is intended to provide some background and context to the questions from the ASX and the answers provided by the Company.

**The Business Opportunity and the Trial Farm** - In seeing the opportunity in the emerging market of CBD producing industrial hemp, CropLogic's approach has been to bring together its experienced agronomist resources with the best hemp experience available at the time. Much of the CBD hemp industry expertise in Oregon and perhaps around the world has origins in the medicinal cannabis industry in which most cultivation is smaller of scale and done indoors. Where outdoor CBD hemp cropping does occur in Oregon it has tended to be at a smaller scale (often between 5 to 10 acres). As such there is limited industry knowledge of cropping hemp at scale such as 500 acres, and few competitors. With hemp only becoming federally legal in the USA in late 2018, there is limited agronomic and large farm management experience in hemp within conventional agricultural circles. It also means there is limited scientific and industry body research and best practice, when compared to other 'mature' crops. As demand for CBD products continues to grow CropLogic sees this as a commercial opportunity. To take advantage of this opportunity CropLogic's approach with the trial farm is to pair our agronomic expertise with what hemp experience is available to develop a methodology for growing hemp at scale.

**The Emerging Hemp Industry** - CropLogic believes it has applied industry best practice as much as it exists, however due to the emerging nature of the CBD hemp industry, practice has had to be developed and adapted from time to time. This means it often takes time for results to be known and then verified by appropriate experienced hemp and agronomic team members to ensure that they can be relied upon. This is particularly the case in the scientific testing of CBD, where there is a limited number of authorised labs, and as one can imagine during the harvest season these labs are swamped with tests from across the industry. As an emerging industry there is also a steep learning curve of what equipment and labs can be relied upon. These elements were particularly relevant in the case of post-harvest testing. This round of testing occurred during a particularly busy season for labs, and as these results were to be announced to the ASX, and as the results were not as expected, particular care was given to ensure appropriate procedures were followed and the labs and results could be relied upon. We understand that some parties have expressed frustration at the time it has taken to provide testing results, particularly post-harvest testing. We hope that the above provides some explanation, including the time it took to release post-harvest testing. In providing these results CropLogic and its technical team were conscious of ensuring that the results and the explanation behind these results could be relied upon. Although CropLogic feels it has applied industry best practice, as much as it exists, we will be learning from our experiences from the Hemp Trial Farm this season and applying them to future years – this includes in post-harvest testing and reporting.

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**The Initial Product Shipment** - Following the signing of the supply agreement, LogicalCropping had developed a close working relationship with our new customer Deschutes Labs. The Deschutes Labs team often visited the Hemp Trial Farm, on occasion bringing potential buyers of their material and using photos of LogicalCropping's fields in their promotional material. Many extraction facilities, including Deschutes Labs, have little storage for biomass and as such prefer to receive regular shipments over a period of say 12 months. Also, many growers of hemp biomass have limited storage and therefore don't have the ability to provide regular shipments over a period and would prefer one off bulk shipments. Therefore, one of the perceived competitive edges of LogicalCropping is its access to ample storage for its biomass and ability to make regular shipments over a period of time. It is also common practice in the hemp industry to ship a representative sample of a lot prior to the first shipment for testing purposes, to ensure the quality and consistency meets the extraction facilities requirements. Once confirmed, the full order is shipped and subsequent sampling is no longer performed, except on an as-needed basis. This first shipment that the Company provided to Deschutes Labs was to confirm quality and consistency after which the remaining balance was due to be shipped. Deschutes Labs is located in close proximity to LogicalCropping's storage facility – some 10 minutes-drive away. This was considered a minor operational matter. Considering their limited storage Deschutes Labs requested their weekly allotment be made in more regular, smaller shipments, rather than 1 bulk weekly shipment. Considering this and the industry practice of a representative sample and in the interests of a healthy commercial relationship LogicalCropping was happy accommodate. This initial shipment did not meet their expectations and as is common industry practice they have asked that it be replaced. This is a common industry occurrence and the expectation was that this could be replaced.

CropLogic or LogicalCropping has not to date received any notifications from Deschutes Labs in regards to any breaches or force majeure of the supply agreement. LogicalCropping is permitted under the supply agreement to fulfill the Deschutes Labs supply agreement with either material from the Hemp Trial Farm or third-party sourced material. How this third-party material can be supplied and whether this is a profitable alternative to CLI is to be negotiated with Deschutes Labs in early 2020 and once the ASX imposed suspension is lifted. Currently this is an incomplete negotiation.

**The Adverse Weather Event** - Weather patterns and extreme weather events are becoming increasingly difficult to predict. There is perhaps no greater example to the unpredictability of weather than the recent horrific events where some two to three weeks ago much of Eastern Australia was experiencing record dry and hot weather and catastrophic bushfires, and is now experiencing extremely different weather in the form of record rainfall, rain storms and hail in some regions as large as golf balls. In North America this is presenting itself as unpredictable winters with later or earlier snows and colder weather. In agriculture sometimes the impact of an adverse weather event on a crop is immediately apparent, such as perhaps dramatic weather events such as a bushfire, hurricane, hail or a heavy snow event. However, when the adverse weather event is subtle and less dramatic such as colder than normal temperatures as experienced as part of the Adverse Weather Event at the Hemp Trial Farm on the 9-12 October 2019, the impacts are not immediately apparent. In this environment of ever changing and unpredictable weather patterns CropLogic has endeavoured to keep shareholders as up to date as

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possible on weather events and when they have and, in some instances, have not affected the Hemp Trial Farm and their impact on the crop. CropLogic intends to apply the lessons learned from the 2019 Hemp Trial Farm to future years, including regarding adverse weather, however adverse weather events, particularly in an environment of increasingly unpredictable global weather patterns, are a risk that can never be eliminated.

**Final Biomass Quantity** – The purpose of the hemp trial farm was to develop methodologies for the cropping of hemp at scale. In this several different genetic varieties and several different cropping methodologies were explored. Throughout the season these genetics and cropping methodologies have performed differently – sometimes better, sometimes not as good - as other genetics and cropping methodologies at different stages of the cropping cycle. Furthermore, it was an unknown as to how these different varieties and cropping methodologies would react to the harvest methodologies to be employed and as it turns out it has been observed that the weather event has impacted the quantity of biomass as it has generally made the plants more brittle and reducing the quantity of biomass collected. Until the harvest was performed CLI expected to have a target harvest result. Therefore, it would have been a topic of supposition during the season as to whether the production target required adjustment. CropLogic feels it has applied industry best practice as much as it exists, when setting target production for the hemp trial farm of between 800,000 and 1,100,000 pounds, and then clarifying at the end of the season the final results of the Hemp Trial Farm once harvest results were sufficiently definite and all supposition was eliminated. As soon as the CEO and the Chairman confirmed that test results were not as expected the Company was put into a trading halt. As soon as all of the harvesting, post-harvesting testing, coordination with multiple laboratories, verification and validation of harvest results, documentation in a management report, and review and approval by the Board was completed on 20 December 2019, all supposition was removed and CLI was sufficiently aware to announce the final biomass quantity and associated CBD%, which it did so on that date. CropLogic we will be learning from our experiences from the Hemp Trial Farm this season and applying them to future years – this includes in post-harvest testing and reporting.

**Shareholder and Market Communications** - We understand that some shareholders have expressed frustration at the time it has taken to provide some of this information and perhaps this has bred a feeling of concern with some. We hope the above provides some background and context to the challenges we have been facing. The Adverse Weather Event being of a subtle nature as opposed to a dramatic event where the impacts are immediately apparent, and its effect on the CBD% grade of the biomass material and the ability to service the Deschutes Labs supply agreement required careful technical analysis. In providing these results to shareholders CropLogic and its technical team were conscious of ensuring that the results and the explanation behind these results were independently evidence-based and could be relied upon. It is common agricultural practice not to quote production results until the crop has been completely harvested and graded. Working in an emerging industry as the CBD hemp industry and also being one of the first CBD hemp cropping companies on the ASX, CropLogic believes it has kept shareholders and the market as informed as possible. We hope this explanation helps provide a better

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understanding of the challenges the company has faced. CropLogic has engaged with the ASX and is willing to engage with shareholders where appropriate to discuss shareholders expectations and improve communications going forward.

**Conclusion** - Adverse weather is an unfortunate risk element of any large scale outdoor cropping operation, and as is the nature of a trial farm there are some things that worked well and others than can be improved on. CropLogic is determined to apply these lessons in the future. However, CropLogic feels that a foundation methodology for growing CBD hemp at scale has been developed from the Hemp Trial Farm this season, and that this provides in some ways a first mover advantage for CropLogic. With a growing demand for CBD there is a gap in the market in Oregon and perhaps the wider USA where there is an opportunity for this knowledge to be applied in the future for potential shareholder return.

Question No.	Question	Response
Heading	Testing	
1.	<p>CLI's Response to Question 1 of the ASX Query indicates that leaf tissue culture testing was performed twice – once prior to flowering and once post-flowering. The testing dates provided by CLI in response to Question 1.1 of the ASX Query were August 1 and August 8.</p> <p>CLI's 12 September Announcement headlined the fact that the Hemp Trial Farm had entered the fourth stage of development 'with flowering now underway'.</p> <p>On what date did flowering of the hemp commence and to what extent had flowering progressed when the post-flowering leaf tissue culture test was performed on August 8?</p>	<p>The onset of flowering occurs over a period of time, but typically begins around August 1st. When this occurs will differ between varieties and field locations. As such it is impossible to say on what exact date flowering commenced and to what extent had flowering progressed when the post-flowering leaf tissue culture test were performed, as this will vary from plant to plant and field to field across the 500 Hemp Trial Farm, which comprised of several hundred thousand hemp plants</p> <p>The CLI agronomy team believes the plants were sufficiently developed, including in some cases beginning to flower, on August 8 to perform the leaf tissue culture tests to assess plant health. The purpose of this test was to check nutrient levels. Based on that information nutrient levels would have been adjusted, however, it was determined the health and nutrient levels of the plants were sufficient.</p>

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<p>2.</p>	<p>If flowering had sufficiently progressed by August 8 to justify a post-flowering leaf tissue culture test on that date, please explain why the 13 September Announcement was made over one month after the commencement of flowering?</p>	<p>In some announcements around the Hemp Trial Farm CLI during 2019 has provided an indicative timeline entitled ‘The eight stages of hemp farming’. This was designed to give a guide to readers perhaps not familiar with cropping or hemp cropping some guide as to the progress of the farm but as is the nature of farming and particularly a trial farm this timeline is subject to change. In this CLI has provided a range for the phase of Flowering as August – September.</p> <p>As mentioned in the response to Question 1 flowering occurs over a period of time, but typically begins around August 1st. This will differ between varieties and field locations. As such flowering will commence at different times from plant to plant and field to field across the 500 Hemp Trial Farm, which comprised of several hundred thousand hemp plants. Equally this is difficult to predict in advance as to the trial nature of the farm also as this is the first time CLI had cropped on these properties and the first time cropping with these genetics.</p> <p>The context of the 13 September announcement is CLI has presumed that investors and a reasonable person would expect to know when flowering has occurred across the farm to the extent that the agronomy team could confidently say flowering had begun across the farm in general and was progressing as expected, as opposed to when the first flower appeared on the first plant.</p>
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		By the 13 September the agronomy team was sufficiently definite that flowering had occurred across the farm to an extent that they could confidently say flowering was taking place and was progressing as expected.
3.	<p>CLI’s Response to Question 1.1 of the ASX Query indicated that potency testing was performed on October 2 and spot harvest testing was performed between November 7 and 14.</p> <p>In the excerpt of the technical report provided in the answer to Question 19 of the ASX Query, it is stated:  “Once compliance testing was completed, the LogicalCropping team began testing the cannabidiol levels of the crop through harvest. This was done to monitor the progress of the plant’s development and ensure CBD levels were are the appropriate levels at harvest.’</p> <p>No testing results have been provided to ASX as part of the CLI Response between the dates of October 2 and November 7.</p> <p>What cannabidiol testing is referred to in the above quote and is it correct that there was no testing of any kind conducted at the Hemp Trial Farm between October 2 and November 7, including during a period of frosts and unusually low temperatures? If it is not correct, please provide details of the testing and copies of any test results, including but not limited to the testing of cannabidiol levels conducted through the harvest (the test results are not for release to the market).</p>	<p>As reported, independent potency testing was performed on September 24 and October 2. The testing undertaken by the LogicalCropping technical team were those provided in Question 1.1 and the reference to the excerpt of the technical report refers to these tests.</p> <p>Some inhouse testing was performed with mobile on-farm equipment but this was found to be insufficiently reliable. CropLogic was not aware of the impacts of the adverse weather event on CBD levels until post-harvest testing. As such, and as is common agricultural practice, it was decided to grade the crop, including testing for CBD, once the crop had been fully harvested.</p> <p>The nature of a trial farm is to develop methodologies and systems that can be applied in future cropping years. In light of the impact of the adverse weather event on CBD levels CLI will apply these lessons learned to future cropping years, including in this case of its approach to CBD testing.</p>
4.	<p>CLI’s Response to Question 9 of the ASX Query states that on average there was a weekly increase in CBD rates of 10%. However, CLI’s Response to Question 1.1 of the ASX Query states that CBD testing samples were only taken on September 24 and October 2, a period of just 8 days. In light of this, please clarify what was meant by CLI when it made the statement that “on average there was a weekly increase in CBD rates of 10%”.</p>	<p>This means there was an increase between the week of September 24 (9.38%) and October 2 (10.34%) of the average CBD rates of <math>10.34\% - 9.38\% = 0.96\%</math> / <math>9.38\% = 10.2\%</math> therefore providing a weekly increase of 10%.</p>

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Heading	Harvest	
5.	<p>The 20 December Announcement stated that the Weather Event had “occurred late in the harvest”. However, CLI’s Response to Question 11 of the ASX Query indicates that spot harvest only commenced on 8 October and its response to Question 10 of the ASX Query indicated that the “most severe occurrence of this weather event was on the 9<sup>th</sup> to 12<sup>th</sup> of October where temperatures were recorded, using on-site mobile devices and weather reporting applications at times 11 to 16 degrees colder than historical averages.” How many pounds of hemp were harvested by CLI prior to the Weather Event occurring on 9 to 12 October and?</p>	<p>Little, if any hemp, had been swathed (harvested) at the time of the adverse weather event.</p> <p>In this context CLI is referring to the whole harvest phase.</p> <p>In some announcements around the Hemp Trial Farm CLI during 2019 has provided an indicative timeline entitled ‘The eight stages of hemp farming’. This was designed to give a guide to readers perhaps not familiar with cropping or hemp cropping some guide as to the progress of the farm but as is the nature of farming and particularly a trial farm this timeline is subject to change. In this CLI has provided a range for the phase of Harvesting as September – October.</p> <p>Harvesting of hemp includes elements of field and equipment preparation, logistics of procuring and assembling teams and machinery. The purpose of the trial farm is to develop methodologies for cropping of hemp at scale and as would be expected of a trial farm of this nature different harvest methodologies and trials were also undertaken, some of which is outlined in the announcement of 21st October 2019.</p>
6.	<p>Having regard to the answer to Question 5 above, can the Weather Event fairly be said to have occurred “late in the harvest”?</p>	<p>In this context CLI is referring to the whole harvest phase.</p> <p>In some announcements around the Hemp Trial Farm CLI during 2019 has provided an indicative timeline entitled ‘The</p>

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		<p>eight stages of hemp farming’. This was designed to give a guide to readers perhaps not familiar with cropping or hemp cropping some guide as to the progress of the farm but as is the nature of farming and particularly a trial farm this timeline is subject to change. In this CLI has provided a range for the phase of Harvesting as September – October.</p> <p>Harvesting of hemp includes elements of field and equipment preparation, logistics of teams and machinery. The purpose of the trial farm is to develop methodologies for cropping of hemp at scale and as would be expected of a trial farm of this nature different harvest methodologies and trials were also undertaken, some of which is outlined in the announcement of 21st October 2019.</p> <p>In this context it seems fair to say the Weather Event occurred late in the harvest phase, however one could equally use the wording that the Adverse Weather Event occurred “during the harvest”.</p>
7.	<p>CLI’s Response to Question 15 of the ASX Query indicates that as of 21 October 100 acres (approximately 20% by area) of the Hemp Trial Farm had been harvested, but that of 25 October only 529lbs (representing 0.17% of the total Supply Agreement) had been shipped to Deschutes Labs under the Supply Agreement (“Shipment”). CLI’s Response to Question 30 of the ASX Query also indicates that this was the first and only shipment under the Supply Agreement.</p> <p>Of the 100 acres harvested, how many pounds of hemp were harvested as at 25 October (on an equivalent wet/dry basis to previous weights advised)?</p>	<p>Approximately 50,000lbs.</p> <p>It’s common practice in the hemp industry to ship a representative sample of a lot prior to the first shipment for testing purposes, to ensure the quality and consistency meets the extraction facilities requirements. Once confirmed, the full order is shipped and subsequent sampling is no longer performed, except on an as-needed basis. This shipment was to confirm quality and consistency after which the remaining balance was due to be shipped.</p>

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8.	Noting that the Supply Agreement was for a total biomass of 300,000lbs, if an amount of hemp larger than 529lbs was harvested as at 25 October, why was more not shipped to Deschutes Labs under the Supply Agreement?	Many extraction facilities, including Deschutes Labs, have little storage for biomass. One of the perceived competitive edges of LogicalCropping has ample storage for its biomass. Deschutes Labs is located in close proximity to LogicalCropping’s storage facility – some 10 minutes away. Considering their limited storage, and the fact that they were in the process of testing and commissioning a new production plant, Deschutes Labs requested more regular, smaller shipments, rather than 1 bulk weekly shipment. In the interests of a healthy commercial relationship LogicalCropping was happy to accommodate this request.
9.	CLI’s Response to Question 29 of the ASX Query indicates that the Shipment was returned within a 30-day period. On what date was the shipment returned and why?	<ul style="list-style-type: none"> <li>) 31 October 2019.</li> <li>) Deschutes Labs suggested their testing had come back with low CBD rates and therefore wanted a replacement shipment.</li> </ul>
10.	Did LogicalCropping LLC (“LogicalCropping”), CLI or any of their employees, contractors or consultants receive any correspondence or directives from Deschutes or any other party, in relation to the Shipment sent on 25 October? If it received correspondence and/or directives, what were they? Please provide a copy of any correspondence and/or directives received (not for release to the market).	<ul style="list-style-type: none"> <li>) Deschutes Labs returned the shipment on 31 October 2019;</li> <li>) Correspondence in relation to this was received on 2 November 2019;</li> <li>) Deschutes Labs suggested their testing had come back with low CBD rates and therefore wanted a replacement shipment;</li> <li>) The correspondence is attached.</li> </ul>
11.	When did LogicalCropping/CLI decide, or when were LogicalCropping/CLI, not to provide any further shipments under the Supply Agreement. In answering this question, please specify the date and time this occurred.	<p>LogicalCropping is permitted under the supply agreement to fulfill the Deschutes Labs supply agreement with either material from the Hemp Trial Farm or third-party sourced material.</p> <p>How this third-party material can be supplied and whether this is a profitable alternative to CLI is to be negotiated with</p>

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		<p>Deschutes Labs in early 2020 and once the ASX imposed suspension is lifted. Currently this is an incomplete negotiation.</p> <p>CLI advised the market on 20 December 2019 the results of its hemp trial farm, including that the results did not meet the minimum grade required for the Deschutes Labs agreement. Once this announcement has been made Deschutes Labs has been advised that shipments could not be made with material from the Hemp Trial Farm.</p>
12.	<p>Noting that the 28 October Announcement stated the Supply Agreement provides that CropLogic’s wholly owned subsidiary, LogicalCropping, will supply biomass in weekly shipments, when did CLI become aware that only one shipment of biomass would be made? In answering this question, please specify the date and time that CLI became aware.</p>	<p>20 December 2019</p> <p>As mentioned in the prologue post-harvest testing occurred during a particularly busy season for labs and as these results were expected to be announced to the ASX and as the results were not as expected particular care was given to ensure appropriate procedures were followed and the labs and results could be relied upon. We understand that some parties have expressed frustration at the time it has taken to provide testing results, particularly this post-harvest testing. We hope that the explanation in the above prologue provides some explanation, including the time it took to release post-harvest testing.</p>
13.	<p>Does CLI consider the fact that only one shipment of hemp was made under the Supply Agreement representing 0.17% of the total Supply Agreement (“Shipment Information”), to be information that a reasonable person would expect to have a material effect on the price or value of its securities?</p>	<p>Yes</p>
14.	<p>If the answer to question 13 is “no”, please advise the basis for that view.</p>	<p>n/a</p>
15.	<p>When did CLI first become aware of the Shipment Information?</p>	<p>20 December 2019</p>
16.	<p>If the answer to question 13 is “yes” and CLI first became aware of the Shipment Information before 20 December 2019, did CLI make any announcements prior to that</p>	<p>n/a</p>

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	date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CLI was obliged to release the information under Listing Rule 3.1 and 3.1A and what steps CLI took to ensure that the information was released promptly and without delay.	
17.	What was the total weight of biomass (on an equivalent wet/dry basis to previous weights advised) harvested from the Hemp Trial Farm?	407,296 lbs
<b>Heading</b>	<b>Cashflows for the Period Ending 30 September 2019</b>	
18.	The Appendix 4C states CLI had cash & cash equivalents at 30 September 2019 of \$2,100,000. The 29 August Announcement states that US\$2 million in Loan Funds had been drawn down by CLI. The Appendix 4C does not appear to account for these funds. Please provide an explanation why the drawdown of US\$2 million is not accounted for in the Appendix 4C.	See Appendix A
19.	The Half Year Report states CLI had cash & cash equivalents at 30 September 2019 of \$1,802,109. Is the \$US2 million in Loan Funds also absent from the Half Year Report? If not, please indicate where the \$US2 million in Loan Funds appears in the Half Year Report.	See Appendix A
20.	Please reconcile the differences in cash and cash equivalents respectively shown in the Appendix 4C and the Half Year Report as at 30 September 2019.	See Appendix A

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Appendix A  
 Responses to Questions 18 through to 20

**Q18. The Appendix 4C states CLI had cash & cash equivalents at 30 September 2019 of \$2,100,000. The 29 August Announcement states that US\$2 million in Loan Funds had been drawn down by CLI. The Appendix 4C does not appear to account for these funds. Please provide an explanation why the drawdown of US\$2 million is not accounted for in the Appendix 4C.**

R18. The drawdown of the USD \$2,000,000 is accounted for in Appendix 4C. There were conversion events that also took place during this quarter. Please refer to the following table referencing the allocation of the USD \$2,000,000 in the 4C.

1. As per the Appendix 3B dated 9 August USD \$750,000 of existing convertible notes were converted to fully paid ordinary shares. The Appendix 4C at 30 September 2019 reflects the movement of this USD \$750,000 from convertible notes to equity in (3.2) to 3.1.
2. USD \$2,000,000 loan funds referenced in the 29 August 2019 ASX announcement have been included in 3.2 convertible notes.
3. As per the Appendix 3B dated the 20 September 2019 USD \$350,000 convertible notes were converted to fully paid ordinary shares. The 4C has reflected the movement of USD \$350,000 from convertible notes to equity in (3.2) to 3.1.

This is set out in the following reconciliation:

September Quarter Appendix 4C Cashflow

<b>3.1</b>	<b><u>Inflows</u></b>	<b>\$USD'000</b>	<b>\$USD'000</b>
	Conversion to Shares	750	
	Conversion to Shares	350	
	<b>Total 3.1</b>		1,100
<b>3.2</b>	<b><u>Inflows</u></b>		
	Issue of Con Notes	2,000	

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	<b>Outflows</b>		
	Conversion to Shares	750	
	Conversion to Shares	350	
	<b>Net Total 3.2</b>		900
	<b>Total</b>		2,000

**Q19. The Half Year Report states CLI had cash & cash equivalents at 30 September 2019 of \$1,802,109. Is the \$US2 million in Loan Funds also absent from the Half Year Report? If not, please indicate where the \$US2 million in Loan Funds appears in the Half Year Report.**

R19. The USD \$2,000,000 in loan funds (convertibles notes) are not absent from the Half Year Reports. They appear in the total of Cash or cash equivalents of \$1,802,109 reduced for operational expenditure between the 29<sup>th</sup> August 2019 and the 30<sup>th</sup> September 2019 and then in the total Current Liabilities of \$5,527,488, adjusted to reflect the conversions referred to in response to Question 18 and as set out below. These conversion events took place during this quarter, please refer to the following table referencing the allocation of the USD \$2,000,000 in the Half Year Report.

30 September Half Year Report - Cashflow

<b>Proceeds from issue of shares, net of costs</b>	<b>Inflows</b>	\$USD'000	\$USD'000
	Conversion to Shares	750	
	Conversion to Shares	350	
	Total Proceeds from issue of shares, net of costs		1,100
<b>Proceeds from Borrowings</b>	<b>Inflows</b>		

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	Issue of Con Notes	2,000	
	<b><u>Outflows</u></b>		
	Conversion to Shares	750	
	Conversion to Shares	350	
	Total Proceeds from Borrowings		900
	<b>Total</b>		2000

**Q20. Please reconcile the differences in cash and cash equivalents respectively shown in the Appendix 4C and the Half Year Report as at 30 September 2019.**

R20.

Unaudited 4C Closing cash & cash equivalents 2,100

***Less: Audited 4D movements***

Debit Cards reclassified to Trade & other Payables (30)

Reductions for Un-Cleared AP transactions & FX movements\* (138)

Audit adjustment for Unrealised FX (130)

**4D Closing cash & cash equivalents 4C 1,802**

**Reconciled difference in Cash & Cash Equivalents 298**

\*Uncleared transactions were in USD

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Reference: 11991

Mr Sebastian Andre  
Company Secretary  
CropLogic Limited

By email

Dear Mr Andre

**CropLogic Limited ('CLI'): Aware Query**

ASX refers to the following:

- A. CLI's announcement entitled "Bridging Loan Proceeds Received" lodged on the ASX Market Announcements Platform ("MAP") on 29 August 2019, providing an update on the receipt of US\$2 million in bridging loan funds ("Loan Funds").
- B. CLI's announcement entitled "Hemp Trial Farm Enters 4<sup>th</sup> Stage of Development – Flowering" lodged on MAP on 13 September 2019 (the "13 September 2019 Announcement"), providing an update on the progress of the Hemp Trial Farm. The 13 September Announcement disclosed that:
  - (a) CLI's Hemp Trial Farm in Central Oregon had entered the fourth stage of development as the plants have begun to flower. Flowering was said to be a significant milestone for the Hemp Trial Farm as it is in the flowers that the CBD producing oils are predominantly found.
  - (b) Harvesting of CBD producing hemp at CLI's 500-acre Hemp Trial Farm in Central Oregon was on track to commence late September and run through October.
- C. ASX's price and volume query and CLI's response, lodged on MAP on 21 October 2019 ("Price and Volume Query Response"), which stated that:

"1. Is CLI aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?"

*No, CLI is not aware of any information concerning it that has not been announced to the market, which if known by some in the market, could explain the recent trading in securities."*

and

"4. Please confirm that CLI is complying with the Listing Rules and, in particular, Listing Rule 3.1.

*Confirmed."*
- D. CLI's announcement entitled "Hemp Trial Farm Harvest Update" lodged on MAP on 21 October 2019 (the "21 October Announcement"), providing an update on the harvest progress at CLI's Hemp Trial Farm. The 21 October Announcement disclosed that:
  - (a) Some frosts had been noticed at the Hemp Trial Farm and in the region, however management's observation was that they have not had a material effect on the crop. The frosts had tended to be quite localized, with the Hemp Trial Farm often not being affected when other parts of the region had been, or some fields on the Hemp Trial Farm being affected while others had not. This tendency was similar to that of the previous hail events in Central Oregon which were also localised and which did not affect the Hemp Trial Farm and may suggest a regional trend of very localised weather events.

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- (b) No material effect of frost had been observed to date at the Hemp Trial Farm.
- E. CLI's announcement entitled "Hemp Trial Farm Commences Biomass Shipments" lodged on MAP on 28 October 2019 (the "28 October Announcement"), advising that shipments had commenced under the supply agreement with Deschutes Labs ("Supply Agreement"). The 28 October Announcement disclosed that the harvest timeline remained on track and was progressing well.
- F. CLI's announcement entitled "Trial hemp farm results & 20M facility secured" lodged on MAP on 20 December 2019 (the "20 December Announcement"), disclosing, among other things, that CLI's trial hemp farm had been affected by an unseasonably adverse weather event ("Weather Event"). The 20 December Announcement stated:
- "During October 2019 parts of the Pacific North West, including Idaho, South East Washington State and Oregon experienced temperatures significantly lower than historical average temperatures. The overnight temperature dropped 16°C from historical averages from a seasonal 8°C to -8°C.*
- The adverse temperatures occurred late in the harvest and the effects of these temperatures were not immediately apparent to the LogicalCropping technical team. CBD rates are not static and are challenging to predict. Pre-harvest testing, prior to the adverse weather event, confirmed that CBD rates were developing in line with expectations.*
- Post-harvest CBD testing was significantly lower than earlier pre-harvest tests and after extensive analysis and assessment, including third party testing, it was determined that this was a result of this unseasonably adverse weather event."*
- G. CLI's Appendix 4C Quarterly Cashflow statement for the period ended 30 September 2019 lodged on MAP on 31 October 2019 ("Appendix 4C").
- H. CLI's Appendix 4D and half year accounts for the period ended 30 September 2019 lodged on MAP on 3 December 2019 ("Half Year Report").
- I. ASX's query letter dated 24 December 2019 ("ASX Query") and CLI's response dated 10 January 2020 ("CLI Response"), entitled "Response to ASX Aware Query" lodged on MAP on 13 January 2020. In ASX's view, the CLI Response contains a number of internal inconsistencies.
- J. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- K. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- L. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- It would be a breach of a law to disclose the information;*
  - The information concerns an incomplete proposal or negotiation;*

- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

M. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

*"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

### **Request for Information**

Having regard to the above, ASX asks CLI to respond separately to each of the following questions and requests for information (all dates and times in the responses should be stated in local US time for events in the USA and AEDT for events in Australia).

#### *Testing*

1. CLI's Response to Question 1 of the ASX Query indicates that leaf tissue culture testing was performed twice – once prior to flowering and once post-flowering. The testing dates provided by CLI in response to Question 1.1 of the ASX Query were August 1 and August 8.

CLI's 13 September Announcement headlined the fact that the Hemp Trial Farm had entered the fourth stage of development "with flowering now underway".

On what date did flowering of the hemp commence and to what extent had flowering progressed when the post-flowering leaf tissue culture test was performed on August 8?

2. If flowering had sufficiently progressed by August 8 to justify a post-flowering leaf tissue culture test on that date, please explain why the 13 September Announcement was made over one month after the commencement of flowering?

3. CLI's Response to Question 1.1 of the ASX Query indicates that potency testing was performed on October 2 and spot harvest testing was performed between November 7 and 14.

In the excerpt of the technical report provided in the answer to Question 19 of the ASX Query, it is stated:

*"Once compliance testing was completed, the LogicalCropping team began testing the cannabidiol levels of the crop through harvest. This was done to monitor the progress of the plant's development and ensure CBD levels were at the appropriate levels at harvest."*

No testing results have been provided to ASX as part of the CLI Response between the dates of October 2 and November 7.

What cannabidiol testing is referred to in the above quote and is it correct that there was no testing of any kind conducted at the Hemp Trial Farm between October 2 and November 7, including during a period of frosts and unusually low temperatures? If it is not correct, please provide details of the testing and copies of any test results, including but not limited to the testing of cannabidiol levels conducted throughout the harvest (the test results are not for release to the market).

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4. CLI's Response to Question 9 of the ASX Query states that on average there was a weekly increase in CBD rates of 10%. However, CLI's Response to Question 1.1 of the ASX Query states that CBD testing samples were only taken on September 24 and October 2, a period of just 8 days. In light of this, please clarify what was meant by CLI when it made the statement that "on average there was a weekly increase in CBD rates of 10%".

#### Harvest

5. The 20 December Announcement stated that the Weather Event had "occurred late in the harvest". However, CLI's Response to Question 11 of the ASX Query indicates that spot harvesting only commenced on 8 October and its response to Question 10 of the ASX Query indicated that the "*most severe occurrence of this weather event was on the 9th to 12th of October where temperatures were recorded, using on-site mobile devices and weather reporting applications at times 11 to 16 degrees colder than historical averages*". How many pounds of hemp were harvested by CLI prior to the Weather Event occurring on 9 to 12 October and?
6. Having regard to the answer to Question 5 above, can the Weather Event fairly be said to have occurred "late in the harvest"?
7. CLI's Response to Question 15 of the ASX Query indicates that as of 21 October 100 acres (approximately 20% by area) of the Hemp Trial Farm had been harvested, but that on 25 October only 529lbs (representing 0.17% of the total Supply Agreement) had been shipped to Deschutes Labs under the Supply Agreement ("Shipment"). CLI's Response to Question 30 of the ASX Query also indicates that this was the first and only shipment under the Supply Agreement.

Of the 100 acres harvested, how many pounds of hemp were harvested as at 25 October (on an equivalent wet/dry basis to previous weights advised)?

8. Noting that the Supply Agreement was for a total biomass of 300,000lbs, if an amount of hemp larger than 529lbs was harvested as at 25 October, why was more not shipped to Deschutes Labs under the Supply Agreement?
9. CLI's Response to Question 29 of the ASX Query indicates that the Shipment was returned within a 30 day period. On what date was the Shipment returned and why?
10. Did LogicalCropping LLC ("LogicalCropping"), CLI or any of their employees, contractors or consultants receive any correspondence or directives from Deschutes Labs or any other party, in relation to the Shipment sent on 25 October? If it received correspondence and/or directives, what were they? Please provide a copy of any correspondence and/or directives received (not for release to the market).
11. When did LogicalCropping/CLI decide, or when were LogicalCropping/CLI directed, not to provide any further shipments under the Supply Agreement. In answering this question, please specify the date and time this occurred.
12. Noting that the 28 October Announcement stated the Supply Agreement provides that CropLogic's wholly owned subsidiary, LogicalCropping, will supply biomass in weekly shipments, when did CLI become aware that only one shipment of biomass would be made? In answering this question, please specify the date and time that CLI became aware.
13. Does CLI consider the fact that only one shipment of hemp was made under the Supply Agreement representing 0.17% of the total Supply Agreement ("Shipment Information"), to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
14. If the answer to question 13 is "no", please advise the basis for that view.
15. When did CLI first become aware of the Shipment Information?
16. If the answer to question 13 is "yes" and CLI first became aware of the Shipment Information before 20 December 2019, did CLI make any announcement prior to that date which disclosed the information? If

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so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CLI was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CLI took to ensure that the information was released promptly and without delay.

17. What was the total weight of biomass (on an equivalent wet/dry basis to previous weights advised) harvested from the Hemp Trial Farm?

*Cashflows for the Period Ending 30 September 2019*

18. The Appendix 4C states CLI had cash & cash equivalents at 30 September 2019 of \$2,100,000. The 29 August Announcement states that US\$2 million in Loan Funds had been drawn down by CLI. The Appendix 4C does not appear to account for these funds. Please provide an explanation why the drawdown of US\$2 million is not accounted for in the Appendix 4C.
19. The Half Year Report states CLI had cash & cash equivalents at 30 September 2019 of \$1,802,109. Is the \$US2 million in Loan Funds also absent from the Half Year Report? If not, please indicate where the \$US2 million in Loan Funds appears in the Half Year Report.
20. Please reconcile the differences in cash and cash equivalents respectively shown in the Appendix 4C and the Half Year Report as at 30 September 2019.

Once ASX has received and analysed the information above, it is likely to make further enquiries of CLI.

**When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AWST Tuesday, 28 January 2020**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

**Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to CLI's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CLI's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Enquiries**

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

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**Wade Baggott**  
Manager, Listings Compliance (Perth)