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CropLogic Enters Australian Market with Strategic Acquisition in Tasmania

Key Highlights:

- Strategic beachhead for commercial expansion throughout Australia
- Significant growth potential in technology-ready region
- Foundation for Australian-based research and development
- Similar leadership position to successful 2017 USA acquisition

CropLogic Limited (ASX:CLI) is pleased to announce that it has entered into a Share Sale Agreement (Acquisition) for its first strategic 'beachhead' acquisition in Australia of agronomy services company, **Ag Logic Pty Ltd (Ag Logic)**, based in a key Australian potato growing state, Tasmania. Completion of the Share Sale Agreement is subject to several conditions including successful completion of due diligence.

Ag Logic is highly regarded and well-known in the Tasmanian agricultural services industry, has significant growth potential in the Tasmanian market, and its expertise and knowledge will allow CropLogic to further enhance its technology platform.

Leveraging Ag Logic's respected reputation and current consumer-base in Tasmania, this Acquisition will give CropLogic "feet on the ground" within Australia and allow the Company to develop a platform that will open the door for the development and support of commercial channels throughout Australia.

This strategic acquisition will provide CropLogic with a base for Research and Development (R&D) and capitalise upon the ongoing development that is an inherent part of the operation of both entities.

This acquisition is further execution of CropLogic's market entry through strategic acquisition strategy:

Criteria	Tasmania, Australia	Washington State, USA
Nationally – a key potato state	Yes	Yes
Nationally – highest yielding state	Yes	Yes
Yield percentage (as compared to national average)	131%	145%
Strong presence of Big Ag, major processors (with potential for commercial collaboration)	Yes	Yes
Gateway state to further national growth	Yes	Yes

Jamie Cairns, Managing Director of CropLogic, said:

“We are delighted to have reached an agreement with Dr Reuben Wells for the acquisition of his agronomy services company, Ag Logic, and for his continued employment within the CropLogic Group.

“The CropLogic board sees this as a very strategic acquisition in the Australian marketplace and one that will provide us with significant growth opportunities as we build towards commercial outcomes in the Australian market.

“Tasmania is known for its precision agriculture and its high agricultural production and is a region with great influence both throughout Australia and globally. We have previously worked with multinational processors who have invested heavily in Tasmania and see it as a location with conditions that are directly applicable in other international markets. We share this view, and it is a major factor in what we see as long-term value generation for the company from this acquisition.

“Ag Logic is already recognised for its research and development expertise, having supported some of the largest names in the industry. We believe that Tasmania and Ag Logic offer the same level of agronomic reference as our previous acquisition, ProAg, in Washington State, USA.”

The Acquisition will follow a similar structure to the 2017 acquisition of Professional Ag Services Inc (ProAg), and see a combination of cash and scrip paid over a three year period upon performance milestones being met, with total consideration potentially amounting to AU\$320K (see “Overview of conditional deal structure”, below). Further, the business valuation follows a similar methodology at approximately 1 x revenue, with Ag Logic currently turning over approximately AU\$320K annually.

“We have analysed Ag Logic and its immediate growth opportunities and believe that both the valuation and market position are extremely attractive from strategic and commercial viewpoints. While we continue to look at other acquisition and commercial opportunities, I can see the potential for this acquisition to punch well above its weight and it has been prioritised accordingly.”

Dr Wells has embraced the acquisition and sees it as way to increase the level of service currently offered to clients, and to also expand Ag Logic’s client base.

Dr Wells said:

“Having worked to integrate technology into agriculture for the last eight years, I am acutely aware that most new entrants to the AgTech market have a poor understanding of the processes growers use to decide on their technology purchases.

“I have been impressed and encouraged by CropLogic’s recognition of the value of interpersonal connections with agricultural clients, reflected in their desire to invest in established businesses such as Ag Logic.

“Our ethos fits well with the ‘complex tools – simplified design’ embodied in the CropLogic app, and the models that underpin it.

“I’m very excited to have the opportunity to scale up the Ag Logic business and equally enthusiastic about being able to contribute to the continual evolution of the CropLogic product.”

Why Tasmania?

Tasmania has highest potato yields (per ha) in Australia

- Previously Australia's largest potato producing state
- The highest yield per hectare of potatoes of all the Australian states
 - Tasmania's potato yield per hectare is **31% above the national average**

Irrigation strong in Tasmania – recent \$1 billion invested in infrastructure

- Long history of irrigated farming (good industry knowledge)
- An estimated \$1 Billion Government & industry irrigation infrastructure upgrade
 - CLI can leverage off recent (2017) \$1 billion investment into irrigation in Tasmania

R&D – regional best in industry

- Acquisition target Research & Development (R&D) capable (principle has PhD)
- Tasmania known for agriculture research
 - Tasmanian Institute of Agriculture ranked world class and no.1 in Australia
- Represents a refocus of CLI R&D in key revenue target markets where possible

Tasmania perfect 'beachhead' state for further Australian growth

- Good industry and geographical proximity to Victoria & South Australia
 - Victoria, South Australia & Tasmania represent 76% of Australia's potato production
- Good presence of 'Big Ag' & major processors in Tasmania
 - Including RuralCo, Elders, Landmark & Simplot
 - The Simplot Australia Potato Grower Of The Year 2017 was a Tasmanian grower

Jamie Cairns said:

"CropLogic recognises the value of acquisitions as a means to enter a new regional market, to gain immediate market presence, and then to grow organically. We look for regions and states that overachieve with production because of their great reference-ability into other markets. Once we have identified a geography, we then focus on finding entities with good industry networks, reputation, and that can add to technical development across the CropLogic Group. While acquisitions are not the only element of our growth strategy, they can provide that immediate footprint from which we can directly drive and support our own organic growth. In the case of Ag Logic, in such a strategic market, an acquisition made sense for us.

"We're excited to bring the technology and years of knowledge that have worked so well for CropLogic growers in Washington State, USA to CropLogic growers in Tasmania, Australia."

**Michael Stephenson,
CropLogic Chief Agronomist,
Washington, USA**

"We also found this in the Columbia Basin, Washington State, USA in 2017 when we acquired an agronomy services company in that region. Through that acquisition, we now service some of the best growers in the world that represent some 30% of state potato production. Similarly, this beachhead is providing the basis for future growth opportunities in surrounding geographies in 2018.

"We believe we have again found a similar partner in Ag Logic and we look forward to servicing the growers of Tasmania together. We are confident that this partnership will also lead to wider geographical and commercial relationships and are looking towards national and multinational agricultural companies and processors operating throughout Australia.

"We see this partnership supporting CropLogic's global presence. We are excited about the knowledge transfer of our agronomists in the USA with those in Australia and New Zealand and the benefits to the increasing number of growers we represent.

"The CropLogic name is becoming an increasingly recognisable brand in our key target markets of USA and Australia. We are looking to build upon this and we thank our shareholders for the ongoing support that allows us to do so."

"Once again CropLogic has chosen a key reference state as its regional market entry strategy. Firstly, in the USA in 2017 and now in Australia in 2018.

"Not only is Tasmania a key potato state, but CropLogic is partnering with a well-regarded firm in that market with access and relationships to some of the biggest names in the industry."

**Jamie Cairns,
CropLogic Managing Director**

Overview of conditional deal structure

Ag Logic is being valued at approximately 1 x current revenue, a metric similar to that of the US acquisition. The transaction consists of two components: an agreement to purchase the existing business, and an agreement with the founder to remain with the business and push growth.

1. Share Sale Agreement

Total consideration for the business will be up to AU\$320K, comprised of 50% cash and 50% scrip. Payment is to be made in three instalments, timed upon settlement (\$160K total value) and the two anniversaries following settlement (each of AU\$80K total value). Anniversary payments are contingent upon ongoing revenue performance.

2. Employment Agreement

Dr Reuben Wells is to be employed on a permanent basis within the CropLogic Group, with a base salary of AU\$100Kpa plus up to AU\$60Kpa of incentives to increase both revenue and profitability of the Tasmanian business unit.

Subject to a floor price of \$0.05 all shares under the Share Sale Agreement will be issued at a price being the VWAP for the CropLogic Shares calculated over the last 5 days on which sales in the CropLogic shares were recorded before the day of this ASX announcements release to the ASX.

The maximum number of shares to be issued under the Share Sale Agreement are 3,200,000. The Company has the capacity to issue these shares under ASX Listing Rule 7.1. The issue of these shares will not require shareholder approval.

The transaction (including the issue of shares) is contingent upon several conditions including a successful due diligence outcome.

If successful, the transaction will settle on 19 April 2018 (or as otherwise agreed between the parties). Further details will be confirmed and released upon successful completion of due diligence.



Science | Agronomy | Technology

About Ag Logic

Ag Logic are Tasmania's precision agriculture and monitoring specialists. Specialising in precision agriculture and monitoring systems, Ag Logic bring the best in modern farming support to Tasmania.

Ag Logic's advanced mapping tools assist in precision agriculture by measuring soil and topography variations. Ag Logic works with farmers to make the most out of these maps, from variable rate fertiliser plans to an optimised drain layout.

Ag Logic has extensive experience delivering monitoring solutions into intensive horticulture, broadacre irrigated cropping and pasture production enterprises. Ag Logic designs and supplies monitoring packages for cropping operations to give farmers the information they need, at their fingertips.

About CropLogic

CropLogic is an award winning New Zealand agronomy services company listed on the Australian Securities Exchange (ASX) and currently servicing approximately 60,000 acres or 30% of the potato market in Washington State, USA.

CropLogic offers large scale crop growers with agronomic expertise based upon scientific research and delivered with cutting edge technology – science, agronomy and technology interwoven into an expert system for decision support.

CropLogic builds upon 30 years of scientific research by The New Zealand Institute of Plant and Food Research, an internationally-recognised Crown Research Institute. The CropLogic analytical platform gathers crop data via in-field sensors coupled with satellite communications, before processing this with proprietary scientific models to predict outcomes and optimise field productivity. Skilled agronomists help present this information to the grower and assist them in their critical decision-making process.

The CropLogic system has been developed with the benefit of over 500 field trials throughout Australia, China, New Zealand, and the United States of America. In 2017 the system was commercially launched into Washington State, USA.

For more information please visit: <http://www.croplogic.com/>

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