



ROTOGRO

R E P L A C E M E N T P R O S P E C T U S

For the Offer of up to 18,000,000 Shares
at an issue price of \$0.20 cents each to
raise up to \$3,600,000

Roto-Gro International Limited

Roto-Gro International Limited

ACN: 606 066 059

Proposed ASX Code: RGI

Lead Manager: Barclay Wells AFSL 235070

The replacement Prospectus provides important information about the Company. You should read the entire document including the Application Form. If you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the Shares offered under this Prospectus is highly speculative.

Important Notice

This is a replacement prospectus for Roto-Gro International Limited dated 5 December 2016 (Prospectus). A copy of this Prospectus was lodged with ASIC on that date. This Prospectus replaces a prospectus dated and lodged with ASIC on 11 November 2016 (Original Prospectus). Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company has applied to ASX for listing and quotation of its Shares on the ASX on 17 November 2016.

The Original Prospectus was subject to an exposure period of 7 days from the date of lodgment of the Original Prospectus with ASIC. This Prospectus is not subject to an exposure period due to ASIC Instrument 2016/74.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The principal differences between the Original Prospectus and this Prospectus maybe summarised as follows:

- enhanced disclosure of the history of the Roto-Gro Unit as to sales and production;
- removal of table 5.5 'Advantages of hydroponic production';
- enhanced disclosure around working capital;
- removal of the Investigative Technical Report; and
- enhanced disclosure in the Investigative Accountant's Report (IAR) as to the basis for the acquisition price referred to in Note.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This document may not be distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy securities in the United States. Any securities described in this document have not been and will not be, registered under the US Securities Act 1993 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1993 and applicable US state securities law.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer.

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Web Site - Electronic Prospectus

A copy of this Prospectus is available and can be downloaded from the website of the Company at www.rotogro.com.au.

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents, or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Suitability of Investment & Risks

Before deciding to invest in the Company, prospective investors should read entirely this Prospectus and, in particular, the summary of the Company's business in section 5 and the risk factors in section 9. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest. Any investment in the Shares of the Company should be regarded as speculative.

Definitions and currency

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

References to currency are to Australian dollars, unless otherwise stated.

Time

All references to time in this Prospectus are references to Australian Western Standard Time unless otherwise stated.

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Corporate Directory

Directors

Michael Carli (Managing Director)
Steve Brockhurst (Non-Executive Director)
David Palumbo (Non-Executive Director)

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
Tel: +61 8 9481 0389
Fax: +61 8 9463 6103
Email: info@rotogro.com.au

Lead Manager

Barclay Wells Limited AFSL 235070
Suite 1
22 Railway Road
Subiaco WA 6008

Patent and Trademark lawyers

Chumak & Company LLP
401 Bay Street, Suite 1220a, Box 88
Toronto, Ontario, Canada M5H 2Y4

Investigating Accountant

RSM Corporate Australia Pty Ltd
8 St Georges Terrace
Perth WA 6000

Company Secretary

David Palumbo

Share Registry

Link Market Services Limited
Level 4, 152 St Georges Terrace
Perth WA 6000
Tel: 1800 647 819
Fax: +61 2 9287 0303
Email: info@linkmarketservices.com.au

Solicitors to the Offer

Mills Oakley
Level 2, 225 St Georges Terrace
Perth WA 6000

Auditor

RSM Australia Partners
8 St Georges Terrace
Perth WA 6000

Website

www.rotogro.com.au

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TIMETABLE TO THE OFFER

1 TIMETABLE TO THE OFFER

Lodgment of Original Prospectus with ASIC	11 November 2016
Expiry of exposure period	25 November 2016
Lodgment of Replacement Prospectus with ASIC	5 December 2016
Opening Date of the Offer ¹	5 December 2016
Closing Date of the Offer ²	23 December 2016
Issue of Shares under this Prospectus	28 December 2016
Quotation of Shares on the ASX	6 January 2017

¹ Prospective investors are encouraged to apply as soon as possible after the Offer opens, as the Company reserves the right to close the Offer early or later than as indicated above without prior notice.

² Other than the date of lodgment of the Prospectus and expiry of the exposure period, the above timetable is indicative only, and may change.



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CAPITAL STRUCTURE

2 CAPITAL STRUCTURE

Shares	Minimum subscription \$3,400,000	Maximum Subscription \$3,600,000
Existing Shares	15,795,001	15,795,001
Shares to be issued to Vendors upon completion	40,000,000	40,000,000
Shares offered under this Prospectus at \$0.20	17,000,000	18,000,000
TOTAL SHARES	72,795,001	73,795,001
Existing Performance Rights	0	0
Performance Rights to be issued to Vendors on completion	30,000,000	30,000,000
TOTAL PERFORMANCE RIGHTS	30,000,000	30,000,000

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MANAGING DIRECTOR'S LETTER

3 MANAGING DIRECTOR'S LETTER

Dear Investor

On behalf of the Board, I am pleased to invite you to participate in the Offer by Roto-Gro International Limited (**Roto-Gro** or **Company**).

The Company has entered into share a conditional share sale agreement (**SSA**) for the acquisition of eighty percent (80%) of the issued share capital of Roto-Gro World Wide Inc. (**RWW**) with an option to purchase the remaining twenty percent (20%). RWW has agreed to acquire certain rights in relation to an automated rotary hydroponic advanced garden system designed, developed and manufactured in Canada by Roto-Gro Inc. since 2006, and an ongoing support and maintenance program (**Roto-Gro System**).

As a result of continuous research and development initiatives since 2006, the Roto-Gro System efficiently grows plants in a hydroponic environment. The unique features of the Roto-Gro System which differentiate it from competing hydroponic systems are its patent-pending design and stackable configuration. The ability to stack multiple Roto-Gro units vertically within a compact footprint together with a rotational growing bed provides a growing area equivalent to approximately nine (9) times that of a conventional growing area. These efficiencies result in significantly greater crop yields per square foot in comparison with conventional growing systems and consume approximately forty percent (40%) less electricity than other hydroponic systems. The Roto-Gro System also delivers fluids, nutrients, and carbon dioxide more effectively and efficiently than conventional growing systems.

RWW, as licensee, has entered into a conditional patent licence agreement to acquire a royalty-bearing licence under a worldwide exclusive licence to manufacture and distribute the Roto-Gro System and any improvements (**Products**) to medical cannabis producers, distributors and resellers, and a worldwide non-exclusive licence to distribute the Products for all other purposes (**Licences**).

The Roto-Gro System is uniquely positioned for use in the following markets: health and nutrition supplements; herbs and spices; pharmaceuticals; nutraceuticals; and food products, all target markets of the Company.

The Roto-Gro System has been recognised by certain medical cannabis producers and distributors in Canada, United States and Europe as a growing system which provides growers with a vehicle to produce a consistently uniform, high-quality medical cannabis product at a reasonable cost. The Board is of the opinion that there is an immediate opportunity to capitalise on the rapidly expanding lawful medical cannabis market, with an immediate focus on Canada.

The Company has assembled a team with extensive operational, technical, marketing and listed-company experience.

3 MANAGING DIRECTOR'S LETTER

With this Offer, the Company is seeking to raise up to \$3,600,000. The funds from this Offer will be used primarily for costs related to the purchase of inventory, product development and assembly, sales, product support, the costs of the Offer and general working capital.

Details of the Offer and information about the Roto-Gro System are contained in the Prospectus.

There are risks associated with investing in the Company, including:

- large scale production risk: While the Roto-Gro System has been successfully commercialised, it has not been produced consistently on a large scale. The Company's business model is dependent on large scale production for growth. There is no guarantee that the Company will achieve this objective;
- ability to attract customers: While the Roto-Gro System is a known product in Canada, it is not as well-known in other jurisdictions. The Company's growth strategy is dependent on securing new customers and converting trial (or "pipeline") customers into recurrent revenue streams . There is no guarantee that the Company will achieve this objective;
- no trading history: The Company is a start-up company with no trading history. There is no guarantee that the Company will achieve its objectives in this regard; and
- concentration of ownership: Upon listing, the vendors of RWW (**Vendors**) will hold approximately fifty-five percent (55%) of the issued capital of the Company and will be in a position to exercise substantial influence over matters requiring shareholder approval. Accordingly, they may not act in the best interests of minority shareholders. The concentration of ownership may also discourage, delay, or prevent a change in the control of the Company.

Potential investors are urged to read this Prospectus in full and to seek their own professional advice if necessary to make an informed decision.

I look forward to welcoming you as a shareholder of the Company.

Yours faithfully,

Michael Carli
Managing Director



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INVESTMENT OVERVIEW

4 INVESTMENT OVERVIEW

This information is a selective overview only. Prospective investors should read the Prospectus in full, including the reports in this Prospectus before deciding to invest in Shares.

Question

Response

More Info.

Company

Who is issuing this Prospectus?

Roto-Gro International Limited (ACN: 606 066 059), (Roto-Gro or the Company).

What is the purpose of this Prospectus?

This Prospectus is issued in conjunction with a public offer for the issue of up to 18,000,000 Shares at an issue price of \$0.20 to raise a maximum of \$3,600,000.

Who is Roto-Gro and what does it do?

The Company was incorporated on 27 May 2015 for the purpose of acquiring licences for the Roto-Gro System. The Company has entered into a conditional share sale agreement (**SSA**) to acquire 80% of RWW with an option to acquire the remaining 20%.

Section 5

RWW has agreed to acquire from Roto-Gro IP:

- a. a royalty bearing:
 - i. exclusive worldwide license to have made, use, lease, sell, import or otherwise exploit the Roto-Gro System, and any improvements, for use and distribution to medical cannabis or medical marijuana producers, distributors and resellers; and
 - ii. non-exclusive licence to manufacture, market and sell the Roto-Gro System, and any improvements, for all other purposes.

(Patent Licence Agreement); and

- b. a licence to use certain trademarks pertaining to the Roto-Gro System (**Trademark Licence Agreement**).

The consideration under the SSA is the issue of 40,000,000 Shares and 30,000,000 Performance Rights.

The royalty under the Patent Licence Agreement is equal to five percent (5%) of the net sales for the Licensed Products until \$3,250,000 in royalty payments has been made and received and a running royalty of 2.5% of net sales thereafter; and all costs of patent prosecution incurred on behalf of the Licensee.

RWW has entered into an Original Equipment Manufacturer Supply agreement (**OEM Agreement**) dated 14 January 2016 with Roto-Gro Tech for the manufacture of the Roto-Gro System.

What is the Roto-Gro System?

The Roto-Gro System is an automated rotary hydroponic vertical farming system for producing consistent quality plants indoors, using less space and energy than a traditional hydroponic environment. It was designed and manufactured in Canada in late 2006 and has undergone continuous improvement since that date. Between 2007 and 2012, approximately 600 units have been sold worldwide by Canadian distributor NutriLife Products. A large number of units were produced in 2012 as stock units for continuum of sales whilst focusing on the development of the new 420 Unit. Between the period from 2012 to 2014 the design of the 312 Roto-Gro Unit was enhanced which resulted in the development of the new Roto-Gro 420 Units primarily for commercial purposes.

The Roto-Gro System is able to produce uniform high quality medical cannabis at a reasonable cost allowing the Company to realise the burgeoning medical cannabis market in the western world. The Roto-Gro System also has application to the following markets: health and nutrition supplements; herbs and spices; pharmaceuticals; nutraceuticals and food products.

Section 5

Business Model

What is the Company's strategy?

Following completion of the SSA, acquisition of the Licences and listing on ASX, the Company's strategy is to:

Section 5

- a. create shareholder value through manufacturing, marketing and selling the Roto-Gro System to producers and distributors for the purposes of:
 - i. the lawful production of medical cannabis in jurisdictions including but not limited to Canada;
 - ii. food - we plan to market our product in geographical areas where there is a challenge to obtain fresh produce, such as areas where the climate is not conducive to traditional farming. In many of these areas fresh produce may not only be extremely expensive but may not always be available. In addition, we will pursue large scale opportunities with various governments with respect to providing food security;
 - iii. pharmaceuticals and herbal additives market - Over 50 herbs have been identified that can be grown in the Roto-Gro System that are either difficult to grow, or regionally grown in only certain parts of the world and therefore relatively expensive; and
- b. expand into synergistic opportunities such as providing its own line of nutrients; and
- c. explore strategic partnerships and is open to complementary acquisitions in related markets.

Question	Response	More Info.
What are the Company's key assets?	<p>The Company's key assets at completion will be:</p> <ul style="list-style-type: none"> • an 80% interest in RWW which in turn at completion will hold Patent and Trademark Licences; and • cash assets of approximately \$3.7 million (if maximum subscription is reached). 	Section 5
How will the Company generate revenue?	<p>The Company is a start-up and does not presently generate revenue.</p> <p>Following completion of the SSA and the acquisition by RWW of the Licences, the Company expects to generate revenue through the lawful distribution of the Roto-Gro System and related products and ongoing service packages initially in Canada.</p>	Section 5
What are the key dependencies of the Company's business model?	<p>The key factors that the Company will depend on to meet its objectives are:</p> <ul style="list-style-type: none"> • continued favourable government regulations in the medical cannabis market in Canada; • an experienced management team; • distribution and after-sales service partners in key territories; • consistent product quality; and • the ability to generate and meet demand for its products. 	Section 5

Why is the Company seeking to list on ASX?

The Company is seeking to list on ASX to:

- raise capital to fund growth through purchasing initial inventory and establishing marketing and sales channels.
- give the Company a more visible and prominent profile to better promote, market and develop its products and services;
- provide an orderly and transparent platform for the Company's existing shareholders and interested investors to trade in the Company's shares;
- diversify the Company's shareholder base; and
- provide a platform for growth.

Key benefits of Investment

What are the key benefits of investing in the Company?

The key benefits of investing in the Company include:

Section 5

- the Roto-Gro System is a unique product;
 - a clearly defined strategy to exploit and further develop the Roto-Gro System for the burgeoning medical cannabis market, food, pharmaceuticals, nutraceuticals and herbal additives markets;
 - supply-chain partners to manufacture, distribute and service the hardware through long-term lifecycles, that will enable the business to scale up as demand grows;
 - an experienced Board and management team;
 - historical sales of more than 600 units by NutriLife indicative of a market in Canada;
 - proven hardware that has performed thousands of hours of consistent growing output in a range of conditions;
 - a deep understanding by management of the category dynamics, challenges and opportunities presented by the hydroponic industry; and
 - a strong commitment to R&D and continuous product improvement.
-

Key risks of investing in the Company

Specific risks

Section 9

Large scale production

The Roto-Gro units have historically been produced by Roto-Gro Tech on a small scale. The Company's growth is dependent on large scale production. The Company's results of operations, financial condition and growth objective are likely to be materially adversely affected if it is not able to manage effectively the budgeting, forecasting or other process control issues presented by scaling up its operations.

Section
9.1(a)

Inability to attract customers

The products have been predominantly sold by NutriLife Products on a small scale to a limited number of customers. The success of the Company's growth strategy is highly dependent upon securing customers and converting trial or pipeline customers into ongoing revenue-producing customer relationships. The Company's ability to do this will be significantly affected by the Company's ability to meet customer demands in terms of price, volume and functional requirements. There is no guarantee that the Company will be able to attract new customers or convert pipeline or trial relationships into ongoing customer relationships.

Section
9.1(b)

Inability to meet customer orders

The Company's objectives are dependent on its ability to meet commercial orders for the Roto-Gro System. RWW has entered into an OEM agreement with Roto-Gro Tech. Roto-Gro Tech has experience in small scale production of the Roto-Gro System (up to approximately 30 to 40 units in a week). There is a risk that the Company will not be able to increase its production capacity quickly enough, while maintaining appropriate quality standards, to meet such orders. Any inability to meet orders (including as to compliance with quality standards) could result in lost revenue, breach of contract and may also cause reputational damage with particular customers and in the market more broadly, affecting the Company's financial performance and position.

Section
9.1(c)

Question	Response	More Info.
Limited trading history	The Company is a start-up company with no trading history. It is difficult to make an evaluation of its business or prospects. Therefore, no assurance can be given that the Company will achieve its objectives.	Section 9.1(d)
Concentration of ownership	The Vendors will hold between approximately 55.71% (based on minimum subscription) and 54.20% (based on maximum subscription) of the Company's issued share capital upon listing. If the Vendors were to act in concert, they would be in a position to exercise substantial influence over matters requiring shareholder approval, including the election of directors, and in so doing, may not act in the best interests of minority shareholders. The concentration of ownership may also discourage, delay, or prevent a change in the control of the Company, which would deprive the Company's shareholders of an opportunity to receive a premium for the Shares as part of a sale of the Company and might reduce the price for the Company's Shares.	Section 9.1(e)
Competition	<p>The hydroponic industry is subject to increasing competition. The development of new products or technology by competitors or new entrants which competes with the Company's products or technology may adversely affect the Company's ability to compete effectively in the market.</p> <p>If the Company is unable to adopt or incorporate technological advances, Roto-Gro's products could be less efficient or cost-effective than methods developed and sold by competitors, which could cause the Company's products to become less competitive, uncompetitive or obsolete, which would affect the operating and financial performance of the Company's projects and business.</p> <p>As the medical cannabis industry is a burgeoning industry, it is expected that the Company will face competition from new entrants in the hydroponic market. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and customer support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.</p>	Section 9.1(f)

Question	Response	More Info.
Reliance on key management	The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease employment.	Section 9.1(g)
Licence exclusivity	Whilst the licence to manufacture, market and sell the Roto-Gro System for the purposes of the lawful production of medical cannabis for an initial term of 25 years with continuing automatic extensions thereafter is exclusive, the licence to do the same for the purpose of the production of food, pharmaceuticals, herbal food additives is non-exclusive. This risk is somewhat mitigated insofar as RWW has a right with regard to the outright acquisition of all of these rights.	Section 9.1(h)
Termination of Licence Exclusivity	If RWW fails to commercialise the Licenced Products or fails to actively attempt to commercialise the Licensed Products, that is, does not have sales or does not have an effective ongoing and active research, development, manufacturing, marketing or sales program as appropriate, directed at obtaining regulatory approval, production or sales of the Licensed Products in any jurisdiction or plans acceptable to the Licensor, the Licensor has the right at any time after 5 years from the Effective Date of the Patent Licence Agreement, to terminate the exclusivity of the Licence of the Licensed Products in the subject jurisdiction.	Section 9.1(i)
Regulated medical cannabis laws	<p>The medical cannabis market is expanding rapidly. Medical cannabis laws as they pertain to growing, distribution and sale vary substantially from jurisdiction to jurisdiction.</p> <p>The Roto-Gro System enables the producer to easily adjust the number of components of the growing process in order to meet any variations that may be a result of regional legislation. This ability mitigates the risk of changes to medical cannabis laws, at least in so far as they relate to growing and product requirements.</p>	Section 9.1(j)

Question	Response	More Info.
Patent risk	<p>As the patent rights are still pending applications and may undergo further examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved that the claims will remain in their present form.</p>	Section 9.1(k)
Product Liability and uninsured risk	<p>The Company may be exposed to potential product liability risks which are inherent in the development, manufacturing, marketing and use of its products.</p> <p>Though this risk is somewhat mitigated by seller warranties such as those provided for by the OEM Agreement, it may be necessary to secure insurance to manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.</p> <p>The Company is exposed to catastrophic loss to necessary manufacturing equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risk will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.</p>	Section 9.1(l)
Dependence on third parties	<p>RWW has entered into an OEM Agreement for the immediate manufacture of products. To achieve greater scale, RWW may pursue a strategy that forms strategic business relationships with other organisations for the manufacture and distribution of its products and services. The manufacture and global distribution of products and services is central to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with such organisations.</p>	Section 9.1(m)

Question	Response	More Info.
Research and Development	There is no guarantee that any research and development into modifications and improvements of the Roto-Gro System will be successful nor that any enhancements will be developed into products that are commercially exploitable.	Section 9.1(n)
Additional Requirements for Capital	<p>The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.</p> <p>Further, expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.</p>	Section 9.1(o)
Management of Growth	There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage its strategic direction may affect the Company's financial performance.	Section 9.1(p)
Exchange Rate Risk	Initial expenditure will be in Canadian dollars. RWW is accounted for in US dollars while the Company is accounted for in Australian dollars. The Company is exposed to fluctuations and volatility of the rate of exchange between foreign currencies and the Australian dollar as determined in international markets.	Section 9.1(q)

Question**Response****More Info.****Unfavourable publicity or consumer perception**

The medical cannabis industry is highly dependent on consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation media attention and other publicity regarding the consumption of medical cannabis. Adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have an adverse impact on demand for the Company's product (at least in relation to its supply to the medical cannabis market).

Section 9.1(r)

Directors

Who are the Directors of the Company?

The Directors of the Company are:

- Michael Carli (Managing Director);
- Steve Brockhurst (Non-Executive Director); and
- David Palumbo (Non-Executive Director).

Section 10.1

What benefits are being paid to Directors?

Each of the Directors have entered into contracts with the Company on normal commercial terms. The Directors are paid directors' fees for managing the Company's activities. In addition, the Directors and Mining Corporate have received Shares in the Company.

Section 10.4

What material contracts has the Company entered into with Directors and management?

The Company has entered into the following material contracts with its Directors and management. They are:

- Executive Service Agreement with Michael Carli dated 20 October 2016;
- Non-executive letters of appointment with Messrs. Stephen Brockhurst and David Palumbo each dated 7 June 2016;
- Mining Corporate Services Agreement dated 7 June 2016; and
- Executive Service Agreement with H.A. Management Ltd and Ralph Sickinger dated 7 June 2016. Note Mr Sickinger resigned from the position of Managing Director on 18 August 2016.

Section 10.3

Material contracts

What material contracts have been entered into?

The Company is a party to the following material contracts:

Section 6

- SSA dated 14 August 2015 (as amended).

The consideration under the SSA is 40,000,000 Shares and 30,000,000 Performance Rights. The Performance Rights vest upon the achievement of certain milestones relating to sales revenue.

RWW is party to the following material contracts (**RWW Material Contracts**):

- Patent Licence Agreement dated 14 January 2016;
- Trademark Licence Agreement dated 12 January 2016; and
- OEM Agreement dated 14 January 2016.

Summaries of the key terms of these contracts are included in this Prospectus.

Who are the vendors?

The vendors to the SSA comprise related and non related parties and promoters. A full list of vendors is included in section 6.2.

Section 6.2

Financial position

What is the financial position of the Company?

Roto-Gro was incorporated on 27 May 2015 for the purpose of acquiring RWW, a company incorporated on 26 October 2015 with agreements to acquire the Licences to the Roto-Gro System. The Company has not undertaken any activities other than entering into the SSA and lodging this Prospectus to raise funds and list on ASX. RWW has not undertaken any activities other than entering into the RWW Material Contracts. This Prospectus contains financial information including a pro forma balance sheet which is set out in the Investigating Accountant's Report.

Section 13

Question**Response****More Info.****How will the proceeds of the Offer be used?**

The Company intends to use its current funds and the funds raised from the Offer (based on maximum subscription) broadly as follows:

- \$1,800,000 – 2 year operational budget including inventory, product development, assembly, sales and product support over the next 2 years.
- \$1,461,100 – 2 year corporate administration costs and general working capital.
- \$473,000 – Costs of the Offer.

This is a statement of the Company's intentions as at the date of this Prospectus.

Section 5.17

Will the Company pay dividends?

The Company's focus will be on generating capital growth. The Company has no immediate plan to declare or distribute dividends. Payment of future dividends will depend on matters such as the future profitability and financial position of the Company.

Section 5.19

Details of the Offer

What is the purpose of the Offer?

The purpose of the Offer is to facilitate an application by the Company for Admission of the Company to the Official List and position the Company to fund the ongoing immediate working capital needs of the Company including inventory, product development, assembly, sales and product support over the next 2 years. On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

Specifically, the Company intends to apply funds raised from the Offer, together with existing cash reserves of the Company in the manner set out in section 5.17.

Sections
5.17 - 5.18

Question	Response	More Info.																														
What is being offered and who is entitled to participate?	The Offer is for a minimum of 17,000,000 Shares and a maximum of 18,000,000 Shares at an issue price of \$0.20 to raise between \$3.4 and \$3.6 million.	Section 11																														
Will I be guaranteed a minimum allocation under the Offer?	The Company is not in a position to guarantee a minimum allocation of Shares under the Offer.	Section 11.9																														
Is the Offer underwritten?	The Offer is not underwritten.	Section 11.10																														
What will be the Company's capital structure after completion of the Offer?	<table border="1"> <thead> <tr> <th></th> <th data-bbox="799 685 948 741">Minimum Subscription</th> <th data-bbox="999 685 1147 741">Maximum Subscription</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="587 786 663 810">Shares</td> </tr> <tr> <td data-bbox="587 860 743 909">On issue at date of Prospectus</td> <td data-bbox="799 860 900 884">15,795,001</td> <td data-bbox="999 860 1099 884">15,795,001</td> </tr> <tr> <td data-bbox="587 958 711 1008">Issued under the Offer</td> <td data-bbox="799 958 900 983">17,000,000</td> <td data-bbox="999 958 1099 983">18,000,000</td> </tr> <tr> <td data-bbox="587 1057 724 1081">Vendor Shares</td> <td data-bbox="799 1057 900 1081">40,000,000</td> <td data-bbox="999 1057 1099 1081">40,000,000</td> </tr> <tr> <td data-bbox="587 1131 703 1155">Total Shares</td> <td data-bbox="799 1131 900 1155">72,795,001</td> <td data-bbox="999 1131 1099 1155">73,795,001</td> </tr> <tr> <td colspan="3" data-bbox="587 1211 823 1236">Performance Rights*</td> </tr> <tr> <td data-bbox="587 1285 695 1373">On issue as at date of Prospectus</td> <td data-bbox="799 1285 817 1310">0</td> <td data-bbox="999 1285 1016 1310">0</td> </tr> <tr> <td data-bbox="587 1422 708 1447">Vendor issue</td> <td data-bbox="799 1422 900 1447">30,000,000</td> <td data-bbox="999 1422 1099 1447">30,000,000</td> </tr> <tr> <td data-bbox="587 1496 711 1570">Total Performance Rights</td> <td data-bbox="799 1496 900 1520">30,000,000</td> <td data-bbox="999 1496 1099 1520">30,000,000</td> </tr> </tbody> </table>		Minimum Subscription	Maximum Subscription	Shares			On issue at date of Prospectus	15,795,001	15,795,001	Issued under the Offer	17,000,000	18,000,000	Vendor Shares	40,000,000	40,000,000	Total Shares	72,795,001	73,795,001	Performance Rights*			On issue as at date of Prospectus	0	0	Vendor issue	30,000,000	30,000,000	Total Performance Rights	30,000,000	30,000,000	Sections 2 and *6.3
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Question	Response	More Info.
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in section 11.15	Section 11.15
What are the terms of the Performance Rights?	A summary of the terms attaching to the Performance Rights is set out in section 6.3.	Section 6.3
Will the Company's Shares be quoted?	<p>The Company made an application to the ASX for quotation of the Shares within 7 days after the date of the Original Prospectus dated 11 November 2016.</p> <p>If the Shares are not admitted to Official Quotation before the expiry of 3 months after the date of the Prospectus, or such period as varied by ASIC, the Company will not issue any Shares and will repay all application moneys for the Shares within the time prescribed under the Corporations Act, without interest.</p> <p>The Performance Rights will not be quoted.</p>	Section 11.12
Will any securities be subject to escrow	<p>Certain existing Shares and Performance Rights may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>During the period in which the Shares are prohibited from being transferred, trading in Shares will be less liquid which may impact on the ability of a Shareholder to dispose of Shares in a timely manner.</p>	Section 11.14
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable.	Section 1
What is the minimum investment under the Offer?	Applications under the Offer must be for a minimum of 10,000 Shares (being minimum application monies of \$2,000) and thereafter, in multiples of 1,000 Shares (\$200)	Section 11.6
Are there any conditions to the Offer?	A minimum subscription of \$3,400,000 and a conditional approval letter from ASX for admission to the official list of ASX.	Section 11.2

Additional Information

Is there any brokerage, commission or duty payable by applicants?

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.

Section 11.6

What are the tax implications of investing in Shares?

Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares issued under this Prospectus.

Section 14

The tax consequences of any investment in securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.

How can I obtain further information?

By speaking to your accountant, stockbroker or other independent professional advisor.

By contacting the Company Secretary on +61 8 9481 0389

By contacting the Lead Manager, Barclay Wells, on +61 8 6380 3333.



5

COMPANY AND BUSINESS OVERVIEW

5 COMPANY AND BUSINESS OVERVIEW

5.1 Introduction

The Company was incorporated in Australia on 27 May 2015 for the purpose of acquiring licences to the Roto-Gro System.

The Company entered into a conditional share sale agreement (**SSA**) to acquire an initial 80% interest in RWW, a company incorporated on 26 October 2015 under the Mauritius Companies Act, 2001. The Company also has an option to acquire the remaining 20% of RWW. As at the date of this Prospectus, the Company has not exercised the option. A summary of the terms of the SSA is set out in section 6.1 of this Prospectus.

RWW has agreed to acquire from Roto-Gro IP Inc (**Roto-Gro IP**):

- a royalty bearing:
 - i. exclusive worldwide licence to have made, use, lease, sell, import, export or otherwise exploit manufacture, market and sell the Roto-Gro System, and any improvements (**Products**), to medical cannabis or medical marijuana producers, distributors and resellers; and
 - ii. a non-exclusive licence to manufacture, market and sell the Roto-Gro System, and any improvements, for all other purposes such as the production of food, pharmaceuticals and herbal food additives; and
- the right as licensee under a worldwide trade mark licence agreement to use the trademarks and other intellectual property associated with the Roto-Gro System to market the Products,

(together, the **Licences**.)

RWW has not undertaken any trading activities and is the vehicle through which the Licences are proposed to be acquired and the business conducted upon completion of the SSA.

5.2 Corporate Structure

The Company's corporate structure upon completion of the SSA will be as follows:



5.3 Hydroponic industry overview

Background

Hydroponics is a method of growing plants without soil, using mineral nutrient solutions in water. Hydroponically grown produce uses approximately 2% of the water required by soil-grown crops.

Hydroponic food production worldwide has enjoyed consistent growth over recent decades. The ability of hydroponic farmers to grow crops under controlled conditions with reduced water requirements has enabled them to better withstand the unfavourable weather conditions that have plagued the agricultural sector over the past five years.¹ Lower rainfall levels over that period have significantly affected soil-based crop farmers, which have reduced competition in retail markets.

The industry's major markets are fresh produce wholesalers, retail chains, food processors, export markets, fresh markets and food service providers. Major retail chains (such as Coles & Woolworths) have become primary sales channels for the industry's fruit and vegetable produce, and are expected to become increasingly important to industry farmers as direct interaction with the retail chains reduces the need to sell produce through wholesalers.

a. Agricultural challenges and hydroponic food industry growth

Factors contributing to the recent surge in growth of the hydroponic food production industry include:

- increasing global population;
- increased negative weather patterns causing threats to food security;
- advances in hydroponic technology;
- ground water shortage;
- unknown health hazards of genetically modified organisms;
- increased pesticide and herbicide use;
- dramatic increase in organic food demand; and
- increased consumer demand for local produce.

Hydroponic systems address many of these issues such that the grower is able to control the environment, temperature, light and nutrients with computer monitored and controlled systems so that higher yields, faster growth periods and better nutrition are becoming industry norms.

¹ Brooke Tonkin, "Hydroponic Crop Farming in Australia", IBISWorld Industry Report OD4155, December 2015: p. 6. The Company is relying on ASIC Corporations (Consents to Statements) Instrument 2016/72. The authors have not provided consent for the statement to be included in the Prospectus.

Hydroponic systems are less affected by weather than other agricultural industries, largely due to reduced reliance on water and because the nutrient-rich wastewater used in hydroponic farming is typically recycled back into production process, boosting efficiency. The reduced reliance allows the hydroponics crop farming industry to better withstand chronic water shortages particularly during extended drought conditions. Hydroponics are also less dependent on other factors, such as soil quality, external weather conditions and seasonal growing conditions.

b. Products and markets

Hydroponic growing is not suitable for all crops. The crops that are suitable for hydroponic growing include a wide range of fruit, vegetables and herbs such as lettuce, flowers, tomatoes, cucumbers, strawberries and capsicums. These crops have fast harvest times which enhances production volume and feasibility.

For example, lettuce is well suited for hydroponic growing because it grows quickly and the absence of soil enables the nutrients to be monitored more closely. Hydroponic flowers can be monitored by computer systems to control conditions such as temperature and moisture which helps the cultivation process.

An inherent advantage of hydroponic strawberries is being able to grow them at a particular height, which speeds up harvesting, particularly at larger outputs. Yields per plant are also greater and plants can be tiered vertically, thereby optimising space.

c. Competitive landscape

The hydroponic crop farmer industry displays low market share concentration, where no individual player commands a significant share of the industry. The industry is characterised as having multiple small farmers that tend to specialise in certain crops and geographic locations.

Hydroponic crop farmers face a high level of internal and external competition with other hydroponic crop farmers producing different or similar crops, as well as soil-based farmers and other food manufacturers.

Crop farmers attempt to compete and differentiate their products through the colour, size, aesthetics and taste of their produce.

d. Technology and systems

Investment in equipment and research can reduce the labour intensity of hydroponic crop farming. Industry constantly experiments with crop varieties to improve product taste and yield and is expected to continue to invest in new technologies to boost productivity. Such investment will continue to reduce the industry's reliance on labour resulting in lower wage costs which may translate into wider profit margins or crop prices that are more competitive.

New systems will also use energy, carbon dioxide and water more efficiently. The new designs of closed systems will limit the number of entry points for pests. Operators are also expected to invest in technology that enables the hydroponic farming of new crops.

5.4 Key factors determining demand for hydroponic produce

The main factors that determine demand for hydroponic crop farming include increased demand for food, price, quality and health consciousness.

a. Increased demand for food

The world's population is growing, and is expected to continue to do so until the mid-21st Century, fueling a commensurate increase in demand for food.² It is estimated that by 2050, the world's population will be at 9.7 billion people³, and by 2020, Australia's population is projected to reach 26 million.

b. Price and quality

Demand for fruit and vegetables is sensitive to price changes. Although hydroponically grown produce can typically be charged at a premium relative to its soil-grown counterparts, price remains a key variable. Any sizeable increase in price can potentially hamper demand and encourage consumption of alternative goods.

The measures that are often adopted in the industry to reduce the impact of price sensitivity are to invest in infrastructure and research and development with the aim of reducing marginal costs (e.g. labour costs and energy consumption costs) and potentially distinguish industry produce from a quality standpoint.

Demand from supermarkets and grocery stores also influence industry performance as these buyers represent a major market for the industry. The superior aesthetics of hydroponic crops makes them desirable for supermarket displays. The consistent nature of hydroponic crop output is favourable for supermarkets, which aim to source popular fruits and vegetables all year round.

c. Health consciousness

As consumers are becoming increasingly aware of the benefits of a healthy diet, they are more likely to incorporate fruit and vegetables into their diets. This trend is also supported by government campaigns, promotions and the teaching of healthy eating habits at an early age.

²The UWA Institute Of Agriculture Strategic Plan 2015-2019: http://www.ioa.uwa.edu.au/__data/assets/pdf_file/0006/2784228/IOA-Strategic-Plan_no-Themes-Final.pdf. The Company is relying on ASIC Corporations (Consents to Statements) Instrument 2016/72. The author has not provided consent for the statements to be included in the Prospectus.

³United Nations: World Population Prospects: The 2015 Revision. The Company is relying on ASIC Corporations (Consents to Statements) Instrument 2016/72. The author has not provided consent for the statements to be included in the Prospectus.

Health and nutrition supplements, herbs and spices, pharmaceuticals, nutraceuticals and food products represent a significant market opportunity. The Company has also identified the medical cannabis market as a further entry point for the Roto-Gro System, driven by the extraordinary growth in the cultivation and sale of medical cannabis in North America and the rest of the world.

Further information on the products and services offered is set out in section 5.11 below.

5.5 Medical cannabis overview

Cannabis has a long history of being used as a herbal remedy, while hemp from the cannabis plant is used in an industrial setting with various applications including cloth and twine. While there are many recognised strains of the cannabis plant that have been developed through selective breeding, Cannabis sativa is the primary strain of relevance.

The cannabis plant contains numerous different chemical compounds, many of which are classified as cannabinoids. Cannabis sativa contains more than 100 different cannabinoids, as well as roughly 300 non-cannabinoid compounds.

The acceptance of these medical benefits has led to recent liberalisation of cannabis laws around the world leading to rapid growth in the medical cannabis industry.

A summary⁴ of the known and possible uses for cannabis and preparations, as reported in peer-reviewed scientific literature is outlined in a report titled, The Senate Legal and Constitutional Affairs Committee – Regulator of Medicinal Cannabis Bill 2014 (August 2015) as follows:

- a. Historically recognised uses of cannabinoid pharmacotherapy:
 - i. management of migraine pain;
 - ii. management of painful cramps of dysmenorrhoea;
 - iii. glaucoma treatment (temporary relief);
 - iv. epilepsy treatment (and possible treatment for intractable seizures, e.g. in paediatric Dravet syndrome); and
 - v. bronchodilation (associated with asthma treatment),
- b. Agreed and prospective uses of cannabinoid pharmacotherapy:
 - i. control of refractory nausea and vomiting (e.g. from cancer chemotherapy);
 - ii. appetite stimulation (e.g. in patients with HIV-related or cancer-related wasting syndrome);
 - iii. control of muscle spasticity (e.g. multiple sclerosis or spinal cord injury);

- iv. pain management (analgesia, especially from neuropathic pain, and as an anti-inflammatory agent); and
 - v. anti-convulsant effects (e.g. patients with epilepsy),
- c. Under investigation for cannabinoid pharmacotherapy:
- i. anti-tumorigenic uses and direct (local) anticancer treatments;
 - ii. endocrine-metabolic modification (e.g. in diabetes);
 - iii. treatment for post-traumatic stress syndrome;
 - iv. delaying progression of neurodegenerative conditions (e.g. Alzheimer's disease); and
 - v. treatment of various forms of inflammatory bowel disease.

In submissions provided to the Committee, Professor Mather⁵ notes that the most serious complication affecting the use of cannabis as medicine, apart from its regulation, lies in the uncertainty of its composition. Unless selectively modified, cannabis is a variable mixture of natural products, and not a single substance for which purity and strength can be ascertained.

There is widespread support for the use of medicinal cannabis in Australia with 75% of people aged 14 or over supporting a clinical trial of cannabis to treat medical conditions and 69% of people supporting a change to the legislation permitting the use of cannabis for medicinal purposes.⁶

The medical cannabis market is in its infancy. Currently, around the world, access to the uses of medical cannabis is expanding along with awareness and research. A number of jurisdictions permit the use of cannabis for medicinal purposes in some form, including Canada, the Czech Republic, Finland, Germany, Israel, Italy, the Netherlands and 25 states of the US.

a. Canada

On 11 August 2016, Health Canada announced the new Access to Cannabis for Medical Purposes Regulations (ACMPR), which came into force on 24 August 2016. These regulations replace the Marihuana for Medical Purposes Regulations (MMPR). ACMPR sets out a framework for commercial production by licensed producers responsible for the production and distribution of quality-controlled fresh or dried marijuana or cannabis oil or starting materials (i.e. marijuana seeds and plants) in secure and sanitary conditions. The ACMPR also allows Canadians who need access to cannabis for medical purposes to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them. Some 36 licenses have been issued to commercial producers that supply patients directly.

b. Australia

⁴Senate Legal and Constitutional Affairs Legislation Committee - Regulator of Medicinal Cannabis Bill 2014 (August 2015). The Company is relying on ASIC Corporations (Consents to Statements) Instrument 2016/72. The author has not provided consent for the statements to be included in the Prospectus.

Cannabis and cannabis related products are regulated in Australia through a combination of Commonwealth and state-based legislation. Australia's obligations under international narcotics treaties also impact on the control of cannabis in Australia.

The Australian government recently passed national laws to permit cannabis cultivation in Australia and provide Australian patients in need with access to medical cannabis for therapeutic purposes. The Narcotic Drugs Amendment Act 2016, which commenced on 30 October 2016, allows a licensing scheme for the cultivation of cannabis for medicinal and related scientific purposes. The key features of the scheme include:

- i. a mechanism to apply for and obtain a licence authorising the cultivation of cannabis for the purpose of manufacturing medicinal cannabis products;
- ii. a mechanism to apply for and obtain a licence authorising research into cannabis plants to be used for medicinal purposes;

⁵See footnote 4 above.

⁶See footnote 4 above.

- iii. a strict 'fit and proper person' test, which will be applied to any applicant for a licence and any relevant business associates of the applicant;
- iv. in relation to a licence for the cultivation of cannabis for the purpose of manufacturing medicinal cannabis products, a requirement to demonstrate that supply arrangements exist with a licensed manufacturer;
- v. a permit system that will control the amount of cannabis that can be produced and which, other than in the case of research, will only be granted if a contract exists between the licence holder and a licensed manufacturer;
- vi. strict licensing conditions to ensure that appropriate security and controls are in place; and
- vii. substantial penalties for breaches of conditions and for undertaking unauthorised activities.

Victoria and Queensland have, in anticipation of the scheme, recently introduced legislation to regulate the manufacture and supply of medicinal cannabis.

The Victorian Government's Access to Medicinal Cannabis Bill 2015 was passed by the Victorian Parliament, beginning the process of enabling patients to access medicinal cannabis. This legislation establishes the legal framework for Victorian patients to access locally produced cannabis products with appropriate clinical oversight.

In Queensland, amendments to the Drugs Misuse Act 1986 (QLD) have been introduced to enable the supply of seed by Queensland licensed industrial cannabis producers to proponents licensed under the Federal Government's newly established medicinal cannabis cultivations and research scheme. These amendments will enable

Queensland industrial hemp producers to supply seed into the medicinal cannabis supply chain once the amendments pass into law early next year.

The Public Health (Medical Cannabis) Act 2016 was passed by Queensland Parliament on 12 October 2016. The Act creates a new regulatory framework to allow medicinal cannabis products to be prescribed by doctors as part of a patient's overall treatment and dispensed to patients in Queensland. Any cannabis used outside the regulatory framework is illegal. The Act will commence on 1 March 2017.

New South Wales has introduced specific amendments to the Poisons and Therapeutic Goods Regulations 2008 (NSW) to provide further clarity on the expectations of manufacturing licensees and the persons who are authorised to supply medicinal cannabis products to patients in NSW.

From 1 November 2016 cannabis based products for medicinal or research purposes are classified nationally as controlled drugs. This classification applies in Western Australia.

Accordingly, medical cannabis growers and manufacturers may apply for a licence and specialist doctors can prescribe drugs containing cannabinoids. Doctors require approval from the Therapeutic Drugs Administration and the WA Department of Health's Cannabis Based Product Advisory Committee.

c. USA

The legalisation of medical cannabis is the key driving force behind the increasing attractiveness of the US market. As at 20 July 2016, a total of 25 states, the District of Columbia (Washington DC), Guam and Puerto Rico now allow for comprehensive public medical marijuana and cannabis programs.

Recently approved efforts in 17 states allow use of "low cannabinoids tetrahydrocannabinol, high cannabidiol (CBD)" products for medical reasons in limited situations or as a legal defence.

At the federal level, marijuana remains classified as a Schedule I substance under the Controlled Substances Act, where Schedule I substances are considered to have a high potential for dependency and no accepted medical use, making distribution of marijuana a federal offense. On 19 October 2009, the US Department of Justice issued a memorandum for selected United States Attorneys titled "Investigations and Prosecutions in States Authorising the Medical Use of Marijuana". Accordingly as at the date of the memorandum, in the 14 states that make some allowance for the use of marijuana for medical purposes, the Department said that it was committed to the "efficient and rational use" of its resources and that prosecuting patients and distributors who are in "clear and unambiguous compliance" with state laws providing for the medical use of marijuana did not meet that standard.

d. Europe

The European country with the longest experience of cannabis use - both medicinal and recreational - is the Netherlands, where physicians have been able to prescribe cannabis preparations for patients for more than 10 years. The Dutch government has authorised the

company Bedrocan BV to supply cannabis products. It grows the plants according to Good Agricultural Practice, and without using pesticides, and manufactures various preparations, characterised by different compositions of the active cannabinoids tetrahydrocannabinol (THC) and cannabidiol (CBD), to be taken by vaporization or as herbal tea.

In Germany, the Federal Institute for Drugs and Medical Devices has authorised the medicinal use of cannabis for special cases, which was strongly encouraged by the Federal Administrative Court in 2005.

In Italy, legislation introduced in 2014 abolished the previously long bureaucratic process required to obtain a cannabis prescription, making cannabis freely available to patients with a prescription from primary care physicians. To reduce import costs, the Italian Ministry of Health has started a pilot project to cultivate cannabis plants and manufacture the products directly in Italy at the Military Chemical-Pharmaceutical Factory.

Medical marijuana has also been legalised in other EU member states, most recently in France, Romania and the Czech Republic. The use of Sativex, mixture of THC and cannabidiol at a standardized dosage, which ensures therapeutic efficacy and avoids side effects (mainly psychotic ones), has been approved in 17 European countries, 9 of which have already made it available. Although European laws have not gone as far as legalising cannabis, as Colorado or Washington State have in the USA, what has been done has acknowledged that there are serious medicinal uses of cannabis and should go some way to stifling the black market cannabis trade.

5.6 History of the Roto-Gro System

The Roto-Gro System is a hydroponic vertical growing system invented in Canada by Mr Jim Gallant in 2006 to solve the problem of floor space and the amount of high energy light required to grow crops indoors. Through ongoing development and testing, he developed his idea to a fully functioning hydroponic system for manufacture and sale.

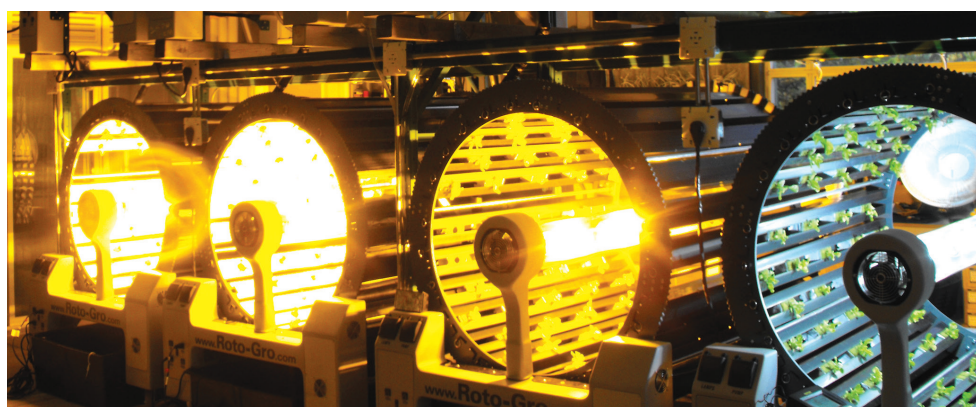


Figure 1: Roto-Gro 312 units with centre-fixed lamp

The Roto-Gro System comprises 4 models, the 312 Unit, 420A Unit, 420B Unit and 420C Unit. The 312 Unit is for home based growing and the 420 Units are for medium to large commercial growers. The specifications and features of the various models is summarised in the table below.

Model	Width	Height	Length	Comments
312	1.22m	162.5 cm	1.83m	Original home based growing unit
420A	1.22m	162.5 cm	2.44m	Inclusion of Co2 delivery system
420B	1.22m	162.5 cm	2.44m	Original commercial growing unit
420C	1.22m	162.5 cm	2.44m	Inclusion of Co2 delivery system and automated feed system

The original 312 Unit was designed and manufactured in Canada in late 2006 for the "individual farmer" to supplement their outdoor garden. From 2007 to 2012, over 600 units were sold by the then sole distributor NutriLife Products. A large number of units were produced in 2012 as stock units for continuum of sales whilst focusing on the development of the new 420 Unit. Between the period from 2012 to 2014 the design of the Roto-Gro 312 Unit was enhanced which resulted in the development of the new 420 Units primarily for commercial purposes.

There are approximately sixty 420 test units currently placed in the Canadian market with pipeline customers of Roto-Gro Tech including First Nations Groups.

5.7 How the Roto-Gro System Works

The Roto-Gro System is a hydroponic vertical growing system that produces products in a tightly controlled environmental system that optimises the use of electricity, water, feeding resources and floor space. A unique level of control over the inputs into the plants' environment is made possible by the machine's configuration.

The Roto-Gro System is based on a flood and drain system. Plants are inserted in trays via rockwool cubes or customised baskets which are secured in the "quick drain trays". The trays are then placed inside a circular wheel. The unit is motorised and the trays revolve 24 hours a day around centre-fixed lamps. Plants rotate around the single uniform light source, maximising their growing patterns through the natural effects of gravitropism (also known as geotropism). Quick drain trays revolve through the nutrient/water mixture, feeding the plants. Once all plants have been fed, the pump turns off, letting the nutrient/water mix drain back into the main reservoir.



Figure 2: Inside a Roto-Gro 312 unit

5.8 Key features and benefits of the Roto-Gro System

The key features and benefits of the Roto-Gro System are:

a. Space utilisation

The Roto-Gro System permits the compression of the required growing area into a far tighter, more controllable space. Using its rotating system, the Roto-Gro System is able to provide substantially more growing area than a flat table. Each Roto-Gro unit provides a harvesting area over 2 times its footprint and is stackable to 3 to 4 units in height resulting in an ability to grow up to 9 times the product compared to other hydroponic systems using the same physical space.



Figure 3: Roto-Gro 420 units stacked in 2 x 2 configuration

b. Low operating cost/high yield

The Roto-Gro System uses approximately 60% of electricity costs compared to flatbed systems. The rotation of the plant creates gravitropism which results in shorter harvest times and produces a thicker, stronger stem able to support greater yields.

Roto-Gro's unique design has the growing plants rotate around a fixed light source located a uniform distance from all plants. This provides a consistent source of energy, and therefore more consistent crop (an important factor for pharmaceutical products), which is more difficult to achieve using a flat bed or other design that does not use a curved surface. Rotating the crop, which continues 24/7, maintains uniform growth patterns, easy harvesting and better controls its maturity.

As a crop can be trained to flower at a time selected by the grower it can be beneficially harvested at 40cm to 50cm in height. The Roto-Gro System is able to maintain close proximity to the plants and thereby more effectively transfer more energy produced by the lights into the crop, thus reducing cost, harvest times and increasing yield.

LED lights can be used in the Roto-Gro System. LED lights use approximately 15% of the energy that HPS lights use. LED work in the vegging and flowering stages but as they are less effective than HPS lights in the flowering stage, they are suitable for crops such as lettuce. As LED lights do not have the intensity of HPS lights, the closer the plant is to the light the better LED works.

Roto-Gro's low energy consumption makes it an ideal system for those growers who wish to use a 'green' source of energy.

c. Different strains

The Roto-Gro System is able to strain specific lighting schedules, feeding patterns, heating profiles and ventilation programs.

d. Electronic systems

The Roto-Gro System is based on maintaining cutting edge software and hardware systems to provide convenience, product control and regulatory compliance for its clients.

Roto-Gro's commercial machines, being the 420 Units, are available with fully equipped electronic systems which are able to monitor the entire production process. Integrating proven externally sourced software with its own unique proprietary systems, the Roto-Gro System includes a tool that not only complies with the regulatory requirements of the Cannabis for Medical Purposes Regulations SOR/2013-119 (Canada) but also provides invaluable management information.

These software systems have been designed to be flexible to accommodate regulatory changes.

Roto-Gro Systems continually monitor, visually through embedded cameras, and electronically through numerous other sensors, activities related to the machine and the crop. Water levels, nutrient composition, room humidity and temperature, light timing and intensity is information that is monitored and recorded to assist the grower in creating the highest quality and most consistent product. These records are available to be analysed as they are produced so that the grower can quickly develop best practices. All systems may be monitored offsite enabling growers, government regulators, consultants and Roto-Gro to assist in producing an optimum crop. Combining Roto-Gro's unique system and the ability to provide micro management of the crop's environment provides the grower with the opportunity to maximise product return. Inventory, cost control, analysis, budgeting, employee information, package and labeling controls, and report production are a sampling of the management tools also available.

5.9 Principal applications

a. Medical cannabis market

The Roto-Gro System has been identified by certain cannabis producers and distributors in Canada, United States and Europe as representing an opportunity to produce a uniform, high quality medical cannabis product at a reasonable cost.

The rapidly emerging medical cannabis market presents a number of challenges which the Roto-Gro System is able to meet:

i. Varying regulations

The Roto-Gro System, through the combination of its electronic systems, and its easily managed growing platform, enables the producer to better adjust the growing requirements of the product in order to meet government quality thresholds and regulations and any variations that may be a result of legislation in different jurisdictions.

ii. Consistency of produce

Once the perfect “strain” of medical cannabis is discovered to aid a particular ailment the challenge is to repeat the exact harvest conditions to duplicate that exact product. The Roto-Gro System provides a uniform growing environment to duplicate exact growing conditions. Further, the Roto-Gro System can monitor, track and duplicate the harvest from seed to sale.

iii. Reduced harvest time

Roto-Gro’s optimal harvest height for cannabis plants is between 40cm and 50cm. Depending on the strain, harvest can occur every 7 to 9 weeks. It is possible to get the plant to flower at almost any stage of its growth. By encouraging an early flower, the harvest time for the plant can be dramatically shortened without any loss in product quality. This results in more harvests, less opportunity for the introduction of disease and a more uniform product. Should a disease or infestation occur, the loss of investment is reduced if the product is only 3 weeks old compared to longer growing period.

iv. Costs

Costs are reduced by using less electricity, less space and less labor, by being fully automated. These factors result in increased competitive pricing with the cost to grow of under CAD\$1.00/gram with Roto-Gro compared with approximately CAD\$2.00+/gram with the majority of Marijuana for Medical Purposes Regulation (MMPR) grower.

The Board is of the view that there is an immediate opportunity to realise the burgeoning medical cannabis market in the western world.

b. Food products

The hydroponic industry allows producers of food, food supplements, herbal supplements and pharmaceutical products the ability to:

- i.** grow produce in inhospitable climates and/or limited arable land;
- ii.** reduce or eliminate the need for genetic engineering in order to produce desirable crop profiles;
- iii.** eliminate the need for pesticides;
- iv.** rotate harvesting to ensure continuing fresh crops; and
- v.** produce locally to ensure freshness and minimise shipping costs.

The Roto-Gro System addresses many of the problems inherent with conventional hydroponic systems which include, but are not limited to:

- i. the relatively high cost of constructing a physical space to house the systems (i.e. the Roto-Gro unit is able to grow the same amount in up to nine times less surface area);
- ii. the expense of controlling and maintaining a large growing environment;
- iii. water costs – the Roto-Gro System uses less than 1% of the water used by conventional cultivation; and
- iv. electricity costs – the Roto-Gro System grows almost 5 times the plant mass per lumen light as conventional hydroponic growing systems.

The timing of 'sunrise' and 'sunset', the formula for food being fed to the plants, the heat and ventilation are among the variables that are able to be fully controlled and adjusted by the grower to generate the best balance between flavor, size, colour and crop return.

5.10 Revenue model

The Roto-Gro System offers a growing system which is supported by an ongoing consultation services program.

Roto-Gro will employ four key continuing revenue models, being:

a. Sale of 312 and 420 Units

Sale and installation of the Roto-Gro units includes the initial setup and configuration of each unit, as well as the on-boarding and training of customers. The 420 Unit sells for between approximately \$9,000 and \$11,000 per unit depending on the configuration and the 312 Unit sells for between approximately \$5,000 and \$6,000 per unit.

b. Nutrient package for medical cannabis plants grown in the Roto-Gro System

Developed in combination with one of the leading hydroponic plant food providers in North America, the nutrient package aims to meet the nutritional requirements of medical cannabis plants grown in the Roto-Gro System. The cost of the nutrient package to the purchaser is approximately \$280 per month per unit.

c. Monthly package for commercial clients

For a cost of approximately \$500 per month per unit, a package is available to commercial clients comprising:

- i. a continuing maintenance and part replacement program;
- ii. updates, as available, to all Roto-Gro sourced software, including the product tracking software and security features;
- iii. a nutrient package;
- iv. light bulb replacement; and
- v. setup assistance and training.

d. Volume product purchaser service package

At a price to be determined per unit (as a result of local cost variations, required service levels by local regulations and volume discounts), Roto-Gro will provide to volume product purchasers the services referred to in paragraphs (a) and (b) above, together with the following:

- i.** 24/7 monitoring of all sensor readings: heat, light, ventilation, plant, nitrite and security features; and
- ii.** analysis and coordination of the client's laboratory results (made upon samples drawn at predetermined points in the plant's life cycle) with sensor readings and nutrient packages in order to provide optimal growth and product output.

The estimated cost of this package starts at approximately \$950 per month per unit. This program is particularly attractive to substantially mitigate regulatory compliance costs with respect to the production of medical cannabis in Canada.

The Company is a start up company with no trading history. As at the date of this Prospectus, the Company does not have sales contracts in place.

5.11 Proposed activities and level of operations

a. Overview

The Company's business model will be focused on further commercialising the existing Roto-Gro System and marketing to the medical cannabis market in jurisdictions where it is lawful to do so and to hydroponic growers generally.

The Company plans to market to the regulated medical cannabis markets, initially focusing on Canada. These plans include:

- i.** engaging in an internet marketing campaign aimed at specific markets in countries that have legalised medical cannabis, or have legalisation on the horizon;
- ii.** participating in industry trade shows in North America and Europe;
- iii.** launching a direct marketing campaign to industry leaders; and
- iv.** developing key government relationships.

More generally, the Company, in the short to medium term, intends to market to:

- i.** the indigenous communities of several countries including Canada, USA, Australia and Russia, where such communities are challenged by harsh environments;
- ii.** micro farmers interested in generating produce during the winter months initially in northern Ontario and then other geographically challenged areas on Northern Canada, the rest of Canada and USA;

- iii. joint venture parties with respect to growing herbs and medicinal plants such as polypodium, a herb used in the treatment of sun-induced skin damage, eczema, psoriasis, vitiligo and skin cancer;
- iv. restaurants and high-end hotels with a desire to provide organic fruit and vegetables; and
- v. Governments with food security concerns.

b. Operations

The Company's operations will be conducted by RWW. RWW's Managing Director, CFO, V.P. Production, IT, Accounting, Marketing, Sales and Sales Support will be based in Toronto, Canada. RWW will have approximately 12 to 15 employees shortly after listing, including the former managing director of the Company, Mr Ralph Sickinger. Mr Sickinger will play a key operational role in overseeing operations as managing director of RWW. The Company will manage Corporate, Compliance and Branding in Australia.

c. Manufacturing

Roto-Gro Tech and Roto-Gro IP, entities incorporated in Ontario, Canada on 8 May 2015 and 25 November 2013 respectively, have been involved in the development and manufacturing processes, design, assembly techniques and suppliers networking for the Products.

RWW has entered into an OEM Agreement with Roto-Gro Tech for the manufacture and sale of Products. The terms of the OEM Agreement are set out in section 6.7.

In addition to manufacturing and selling the Products to RWW, Roto-Gro Tech has agreed to impart its expertise regarding the Products to RWW.

Upon completion of the SSA and listing, to accommodate anticipated orders, RWW intends to immediately order \$800,000 to \$1,000,000 of inventory in parts to build units. Purchasing parts on this scale at the outset is expected to reduce the cost of building the units by approximately 30%.

RWW intends to maintain production, assembly and distribution of the Products in Ontario, Canada for approximately the first 1,000 units or for the first 6 to 12 months and may then look to outsource manufacturing more widely in cost effective locations in an effort to reduce costs and increase the scale of production. Production, production support and R&D will be managed by Mike Slater, Vice President of Operations for RWW. Mr Slater has worldwide manufacturing experience and will oversee production and manufacturing.

d. Customers, Sales and Marketing

Sales and marketing will be executed via direct channels, affiliate partners and distribution agreements based on territories and/or product verticals. The Company's core focus is to secure sufficient ongoing demand to increase manufacturing volumes, improve wholesale margins and remain agile enough to respond to emerging demands as it expands into new markets.

In addition to commercial customers, the Company intends to explore opportunities with indigenous communities around the world.

The Roto-Gro System unlocks new opportunities in markets and countries that have previously been difficult to operate in. Assuming access to power, Roto-Gro units can now be placed in harsh environments where building size and/or water availability are critical issues (i.e. remotely located communities). Countries or remote localities with challenging physical environments, limited space and restricted access to fresh economically priced produce present major growth opportunities for Roto-Gro independently or in partnership with local operators. In extremely harsh climates where security is also a concern (whether human or climatic), the opportunity to establish underground growing facilities can be realised.

First Nation Growers (Canada) (First Nations) and Roto-Gro Inc have teamed up to support indigenous communities across Canada and throughout the world in providing each community with a unique, financially viable opportunity to feed communities from within their own communities, in a self supporting self managed manner, year round regardless of climate conditions. Roto-Gro Inc has allocated a dedicated corporate support division to work alongside First Nation Growers to advance indoor agricultural farming expertise, training, education, know how and experience to indigenous First Nations and Inuit communities. The Company intends to leverage off this initiative by targeting First Nations and similar groups.

5.12 Legal Opinions

The Company has obtained legal opinions in respect of the legality of distributing the Roto-Gro-Unit for the purposes of the lawful production of medical cannabis from:

- a. Belinda Lonsdale (Australian Legal Opinion); and
- b. John Christie (Canadian Legal Opinion) (collectively, **Legal Opinions**).

5.12.1 Australian Legal Opinion

Belinda Lonsdale is a barrister at Albert Wolff Chambers who practises in the area of criminal law. She was admitted to practice in Western Australia in 1993 and has been practising as a barrister since 2003. In that time she has practised almost exclusively in the area of criminal law

In summary, the Australian Legal Opinion is that:

- a. although the sale of or offer to sell the Roto-Gro System could constitute an offence under the Misuse of Drugs Act 1981 (WA), it would not be an offence if it is sold or supplied to a person with lawful authority to cultivate cannabis;
- b. the distribution by RWW of the Roto-Gro System to medical marijuana producers, distributors and resellers in Canada and the United States would not render it guilty of any offence under the laws of Australia;

- c. if Roto-Gro were to sell the Roto-Gro System to medical cannabis producers, distributors and resellers in Western Australia with lawful authority to conduct those activities, it would not be guilty of an offence; and
- d. The Narcotic Drugs Amendment Act 2016 (Cth) could facilitate the lawful distribution of the Roto-Gro System in Australia to persons holding a licence under section 8E of the NDA Act 2016.

5.12.2 Canadian Legal Opinion

John Christie is a barrister and solicitor in Toronto who has practiced criminal law for over 25 years.

In summary the Canadian Legal opinion is that:

- a. The distribution of the Roto-Gro System does not in any way violate the Controlled Drugs and Substances Act (CDSA) or the Access to Cannabis for Medical Purposes Regulations (ACMPR).
- b. The selling of a Roto-Gro Unit even knowing that it will be used for an illegal grow operation is not a crime, the only consequence is that the Roto-Gro Unit may be subject to seizure and forfeiture if and when it is determined to be offence related property.

The Legal Opinions are included in their entirety in section 7 of the Prospectus.

Contracts for the sale of the Roto-Gro System will provide that each unit is purchased for the purpose of growing agricultural crops in a hydroponic environment and that it is not to be used for any unlawful purpose. Further, the sales contract provides that resale of the Roto-Gro System for an unlawful purpose is prohibited and may violate the warranty.

5.13 Patents

The Roto-Gro System is subject to the following patent applications filed by Roto-Gro IP:

- a. with the United States Patent and Trademarks Office as Application No. 14287666 (EFS ID No. 21247310) and 14883156;
- b. with the Canadian Intellectual Property Office acting as PCT Receiving Office as Application No. PCT/CA2015/050478 and 2908184;
- c. with the Australian Patent Office 2015243012; and
- d. with the European Patent Office 15189807.9.

A summary of the terms of the Patent Licence Agreement is set out below in section 6.5.

5.14 Trademarks

a. Roto-Gro International Inc owns the following trademarks:

Country	Mark	Filed	Serial No.	Registered	Reg. No.
Canada	ROTO-GRO	12/10/04	1233428	22/11/05	TMA653247
US	ROTO-GRO	05/11/04	78512472	18/08/09	3669415

b. Roto-Gro IP owns the following trademarks:

Country	Mark	Filed	Serial No.	Registered	Reg. No.	Status
Canada	ROTO-BLOOM	17/03/04	1668050	19/05/15	TMA903598	Registered
Canada	iGROW	27/10/14	1699679			Pending*
Canada	ROTO-GROWN	07/04/15	1722362	17/08/16		Allowed
Canada	SUSTAINABLE. SECURE. SAFE.	07/04/15	1722361			Pending**
Canada	THE GREENHOUSE EVOLVED	07/04/15	1722363	17/08/16		Allowed

*Roto-Gro IP commenced proceedings under s45 of the Trademarks Act (Canada) to expunge the prior trademark 'eGrowDirecty.com' which was preventing the registration of the 'iGrow' trademark. The Trademarks Office of the Canadian Intellectual Property Office expunged the 'eGrowDirecty.com' trademark pursuant to s45(4) of the Trademarks Act (Canada) on 22 June 2016. The right to appeal this decision expired on 22 August 2016.

** Roto-Gro IP filed a revised application on 6 July 2016. On 16 August 2016, Roto-Gro IP was informed by the Canadian Intellectual Property Office that pursuant to s37 of the Trademarks Act, the application is scheduled to be advertised in the Trade-marks Journal.

A summary of the Trademark Licence Agreement is set out in section 6.6.

5.15 Report on Intellectual Property

The Company has obtained an independent report from Canadian law firm, Chumak & Company LLP, on the rights attached to patents and pending patents and current status of the patent applications, registered trademarks and trademark applications owned by Roto-Gro Inc or Roto-Gro IP (**Intellectual Property Report**).

In summary, the Intellectual Property Report summarises the details and status of the pending applications and registered trademarks and trademark applications and is included at section 8.

5.16 Roto-Gro's pro forma capital structure

The Company's pro forma capital structure based on minimum and maximum subscription is as follows:

Description	Number of shares		Price per Share	Funds raised/ to be raised*	
	Minimum subscription	Maximum subscription		Minimum subscription	Maximum subscription
Founder	1	1	\$1	\$1	\$1
Promoter	8,500,000	8,500,000	\$0.0001	\$850	\$850
Seed raise	7,295,000	7,295,000	\$0.10	\$729,500	\$729,500
Vendor	40,000,000	40,000,000	\$0.20	Nil	Nil
IPO	17,000,000	18,000,000	\$0.20	\$3,400,000*	\$3,600,000*
Totals	72,795,001	73,795,001		\$4,130,351	\$4,330,351

5.17 Use of funds raised under the Offer

The Company intends to use its current funds of approximately \$134,100 cash on hand as at the date of this Prospectus and the funds raised from the Offer broadly as follows:

Funds available	Minimum subscription	Maximum subscription
Cash on hand	\$134,100	\$134,100
Funds from this Offer	\$3,400,000	\$3,600,000
Total funds available	\$3,534,100	\$3,734,100

Use of funds	Minimum subscription		Maximum subscription	
	\$	%	\$	%
Inventory	800,000	22.64	1,000,000	26.78
Product Development (R&D)	250,000	7.07	250,000	6.70
Assembly	300,000	8.49	300,000	8.03
Sales/Product Support	250,000	7.07	250,000	6.70
Costs of the Offer ¹	460,500	13.03	473,000	12.66
General working capital ²	1,473,600	41.70	1,461,100	39.13
Total	3,534,100	100	3,734,100	100

If more than minimum subscription is raised, but less than maximum subscription, the difference may be apportioned between the items referred to in the above table, including working capital. The use of funds detailed above relates to a 2 year operational budget.

¹The costs of the offer are detailed in section 11.17.

²General working capital includes salaries, rent and administration costs and ongoing operational costs.

This table is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis.

5.18 Sufficiency of working capital

The Directors are of the opinion that the Company will have sufficient working capital to carry out its business objectives as described in this Prospectus.

5.19 Dividend policy

The Company does not intend to pay dividends on securities for the year ending 30 June 2016.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

5.20 Company tax status and financial year

The Company will be taxed in Australia. The financial year of the Company will end on 30 June annually.

5.21 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.



6

MATERIAL CONTRACTS

6 MATERIAL CONTRACTS

6.1 Share Sale Agreement

On 14 August 2015 the Company entered into a share sale agreement with of Roto-Gro International Inc for the purpose of acquiring an initial 80% interest in RWW, and Roto-Gro IP and Roto-Gro Tech Inc for the purpose of acquiring the benefit of the Licences.

On 14 August 2015 Roto-Gro International Inc assigned all of its rights, title and interest in the Share Sale Agreement to the assignees, being the legal and beneficial owners of the RWW Shares (**Vendors**) which are the subject matter of the SSA (**Assignment**). The Assignment is subject to the laws of the Province of Ontario.

The key terms of the SSA (as amended) are as follows:

- a. Subject to the following conditions (which may only be waived with the prior written consent of RWW by no later than 15 December 2016 (**End Date**) and in consideration for the transfer of shares in the Company to the Vendors (**Consideration Securities**), the Vendors agree to transfer to the Company 80% of the fully paid ordinary shares in the capital of RWW (**RWW Shares**):
 - Roto-Gro IP, Roto-Gro Tech and RWW entering into definitive licence agreements for the Licences in forms acceptable to them (each acting reasonably); (t his has occurred);
 - the Company completing due diligence on RWW and the Licences to its sole satisfaction (acting reasonably);
 - the Company lodging a prospectus to raise a minimum of \$3,200,000;
 - ASX agreeing to admit the securities of the Company to official quotation, subject only to conditions acceptable to the Company (acting reasonably);
 - all required third party approvals having been obtained, including those pertaining to the Licences; and
 - no breach of warranty by RWW, (each a **Condition** and collectively, the **Conditions**).
- b. The Vendors and RWW agree that prior to completion of the transactions contemplated by the SSA, they will:
 - keep the Licences in good standing, fully comply with the terms of the Licences, and not encumber the Licences in any manner;
 - not incur any material liability without the Company's prior written consent, it being acknowledged that RWW will be carrying on the business of marketing Products between the date of the SSA and the date of closing of the SSA;

- fully co-operate and provide all information necessary so that the Company can list on ASX; and
 - not do anything which may affect the parties ability to satisfy the Conditions and complete the transactions contemplated by the SSA.
- c. The Vendors agree that prior to completion of the share transfer contemplated by the SSA, they will:
- cause Roto-Gro IP, Roto-Gro Tech and RWW to negotiate in good faith to enter into definitive agreements for the Licenses; and
 - only transfer or create third party interests in the RWW Shares they hold legally and/or beneficially where the transferee/third party acknowledges the Company's rights to purchase the RWW Shares under the SSA and does all other things the Company requires (acting reasonably) to protect those rights.
- d. The Consideration for the transfer of the RWW Shares is:
- 40 million fully paid ordinary shares in the capital of the Company;
 - 5 million performance rights, each to convert to 1 Share upon the Company generating revenue of \$10 million in cumulative sales by no later than 16 months after the date of satisfaction of the Conditions.
 - 7 million performance rights, each to convert to 1 Share upon the Company generating revenue of \$20 million in cumulative sales by no later than 28 months after the date of satisfaction of the Conditions.
 - 9 million performance rights, each to convert to 1 Share upon the Company generating revenue of \$50 million in cumulative sales by no later than 40 months after the date of the satisfaction of the Conditions.
 - 9 million performance rights, each to convert to 1 Share upon the Company generating revenue of \$80 million in cumulative sales by no later than 60 months after the date of satisfaction of the Conditions.
- e. The parties each agree to act in good faith and diligently to satisfy the Conditions as soon as reasonably practicable and by no later than the End Date.
- f. Subject to compliance with applicable laws (including Chapter 6 of the Corporations Act and Listing Rules):
- the Company grants a put option under which the Company must purchase legal and beneficial title from the Vendors to the remaining RWW shares at a 10% discount to the option price,
 - the Vendors grant a call option under which the Company may purchase legal and beneficial title to a Seller's remaining fully paid ordinary RWW shares at a 10% premium to the option price,

where the option price is equal to the mean valuation provided by three qualified evaluators (with the Vendors and the Company each appointing one, which two will appoint the remaining one).

The SSA contains standard representations and warranties typical of an agreement of this nature.

The SSA is subject to the laws of Western Australia and the parties irrevocably submit to the non-exclusive jurisdiction of the Western Australian courts.

6.2 Vendors of RWW

A list of the Vendors of RWW is set out in the table below.

Vendor	Consideration Shares
Omesh Ramsaroop	500,000
Donna Clemas	100,000
John Tadic	100,000
Norm Petroff	75,000
Trevor Trottier	100,000
Dolphin Barn	75,000
1911971 Ontario Inc	2,025,000
939354 Ontario Inc	2,000,000
Jacob Perry	1,000,000
Anne Perry	500,000
Rory McHady	1,000,000
Michael Gallant	1,500,000
Sherry D Gallant	2,500,000
Edward Brounsuzian	666,666
2331633 Ontario Limited	1,218,334
Fraser James	150,000

Vendor	Consideration Shares
Taylor James	150,000
Danielle Day	150,000
Sloop Investments Inc.	3,400,000
Mary L Biggar	200,000
Brian Ludmer	100,000
Jaclyn Ludmer	100,000
Kyle Ludmar	100,000
John Richardson	75,000
Stu Barnes	25,000
Carlos Monsalve	750,000
Lucas Buzanic	100,000
Paul Barbieri	100,000
Ingrid Sickinger	520,000
Katharine Sickinger	150,000
Madison Sickinger	150,000
Thomas Sickinger	150,000
John Sickinger	300,000
Ed Blasiak	200,000
Alexander Putrus	50,000
Dillon Tala Antoin	50,000
H.A. Management Ltd	600,000
Rod Milne	200,000

Vendor	Consideration Shares
TUUC Management Ltd	1,825,000
Balcin Corp. S.A.	2,520,000
Eurasian Enterprises Ltd	1,500,000
1588169 Ontario Inc O/A Greenlight Capital	500,000
Ralph Sickinger	1,500,000
Carbon Holdco Inc	2,025,000
Pennine Resources Ltd	1,500,000
Sheila Francis Parker (Pangea Trust A/C)	1,500,000
Shanghai Holdings Pty Ltd	2,000,000
Opulentus Investments Pty Ltd (Jamloumarvelboy A/C)	500,000
Mrs Victoria Helen Gardiner	1,000,000
Choon Peng Wong	1,500,000
Alitime Nominees Pty Ltd <Honeyham Family A/C>	500,000
Barclay Wells Nominees Pty Ltd	500,000
Total	40,000,000

The following Vendors of RWW are related parties or promoters of the Company: Barclay Wells Nominees Pty Ltd; Carbon Holdco Inc; Ralph Sickinger; 1588169 Ontario Inc O/A Greenlight Capital; H.A. Management Ltd; Katharine Sickinger; Madison Sickinger; Thomas Sickinger; Shanghai Holdings Pty Ltd; Opulentus Investments Pty Ltd; Victoria Helen Gardiner and Alitime Nominees Pty Ltd.

6.3 Performance Rights

The following Performance Rights will be issued under the SSA to the Vendors on a pro-rata basis:

- 5,000,000 Class A Performance Rights;
- 7,000,000 Class B Performance Rights;
- 9,000,000 Class C Performance Rights; and
- 9,000,000 Class D Performance Rights.

The terms and conditions attaching to the Performance Rights are as follows:

- (Performance Rights)** Subject to the satisfaction of the vesting conditions set out in paragraphs (m) and (o) below, each Performance Right vests and converts into one Share.
- (General Meetings)** Each Performance Right confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders.
- (No voting rights)** A Performance Right does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.
- (No dividend rights)** A Performance Right does not entitle the Holder to any dividends.
- (No rights to return of capital)** A Performance Right does not entitle the Holder to a return of capital whether in a winding up, upon a reduction of capital or otherwise.
- (No rights on winding up)** A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.
- (Not transferable)** A Performance Right is not transferable.
- (Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of reorganisation.
- (Application for quotation)** The Performance Rights will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Rights into Shares, the Company must within 10 Business Days apply for official quotation of the Shares arising from the conversion on ASX.

- j. **(Participation in entitlements and bonus issues)** A Performance Right does not entitle a Holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as entitlement issues and bonus issues.
- k. **(No other rights)** A Performance Right gives the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- l. **(Change in Control Event)** means the occurrence of:
 - i. the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional; or
 - ii. the announcement by the Company that:
 - i. Shareholders of the Company have at a Court convened meeting of shareholders voted in favor, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - a. cancelled; or
 - b. transferred to a third party; and
 - c. the Court, by order, approves the proposed scheme of arrangement, but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile consolidation, sub-division, reduction or return) of the issued capital of the Company.
- m. **(Conversion on achievement of milestones)** Subject to paragraph (n), a Performance Right in the relevant class will vest and convert into one Share upon achievement of:
 - i. Class A: cumulative sales of \$10 million no later than 16 months after the date of satisfaction of the SSA Conditions (Class A Milestone).
 - ii. Class B: cumulative sales of \$20 million no later than 28 months after the date of satisfaction of the SSA Conditions (Class B Milestone).
 - iii. Class C: cumulative sales of \$50 million no later than 40 months after the date of satisfaction of the SSA Conditions (Class C Milestone).
 - iv. Class D: cumulative sales of \$80 million no later than 60 months after the date of satisfaction of the SSA Conditions (Class D Milestone).
- n. **(Conversion on Change in Control)** Subject to paragraphs (m) and (o), if prior to the Expiry Date a Change in Control Event occurs then each Performance Right will automatically vest and convert into one Share.

- o.** The maximum number of Performance Rights that can vest and be converted into Shares under this clause upon a Change in Control Event must not exceed 10% of the issued Share capital of the Company (as at the date of the Change of Control event). The Company shall ensure a pro-rata allocation of Shares issued under this clause to all Performance Right holders. Performance Rights that are not converted into Shares will continue to be held by the Performance Right holder on the same terms and conditions.
- p. (Deferral of conversion)** If the conversion of a Performance Right would result in any person being in contravention of section 606(1) of the Corporations Act (**General Prohibition**) then the conversion of that Performance Right will be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

 - i.** Holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.
 - ii.** The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (p)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.
- q. (Automatic lapse if Milestone not achieved)** The Performance Rights shall expire at 5:00pm WST on the dates set out in paragraph (m) (**Expiry Date**). Any Performance Right not vested before the relevant Expiry Date will automatically lapse on the Expiry Date and the holder will have no entitlement to Shares pursuant to those Performance Rights.
- r. (Conversion procedure)** The Company will issue the Holder with a new holding statement for any Share issued upon vesting and conversion of a Performance Right within 10 Business Days following the conversion.
- s. (Ranking on conversion)** The Share into which a Performance Right may convert will rank pari passu in all respects with existing Shares.

6.4 RWW Material Contracts

RWW is party to a number of material contracts. Details of the parties to these contracts are summarised in the table below.

Name of Company	Date and place of incorporation/ Principal place of business	Material Contract	Relationship to Company
Roto-Gro International Inc	25/11/2013 Ontario, Canada	Share Sale Agreement Assignment	Unrelated
Roto-Gro IP Inc	25/11/2013 Ontario, Canada	Share Sale Agreement Patent Licence Agreement Trademark Licence Agreement	Unrelated
Roto-Gro Technologies Inc	08/05/2015 Ontario, Canada	Share Sale Agreement OEM Agreement	Unrelated

The legal shareholder of each of Roto-Gro International Inc, Roto-Gro IP and Roto-Gro Tech is 1923004 Ontario Inc which holds shares for the underlying beneficial shareholders, Cyril Cook and Wendy Cook, neither of whom are related parties or promoters of the Company.

6.5 Patent Licence Agreement

On 12 January 2016, Roto-Gro IP (**Licensor**) and RWW (**Licensee**) entered into a conditional agreement pursuant to which RWW is granted a royalty-bearing license under the inventions and discoveries covered by the Patents or Technology Rights, as improved from time to time, and includes additional patent applications or patents relating to the Roto-Gro System to make, have made, use, lease, sell, import, export or otherwise exploit, the Licensed Products within the world and the right to sub-licence these rights to others (**Patent Licence Agreement**).

The key terms of the Patent License Agreement are as follows:

- a. The grant is exclusive in any and all fields of use and distribution to medical cannabis or medical marijuana producers, distributors and resellers and is non-exclusive otherwise.
- b. The Patent Licence Agreement is effective upon the satisfaction of the conditions precedent of the SSA for the acquisition by the Company of 80% of RWW, set out in section 6.1(a) above.
- c. The fees and royalties payable by Licensee to the Licensor are partial consideration for the Licence.

- d. The Licensee must pay to the Licensor:
 - i. a running royalty equal to five percent (5%) of the net sales for the Licensed Products until \$3,250,000 in royalty payments has been made by the Licensee and received by the Licensor and a running royalty of 2.5% of net sales thereafter; and
 - ii. all costs of patent prosecution incurred on behalf of the Licensee.
- e. The term of the Patent License Agreement is the later of 21 December 2040 and the expiration or abandonment of all issued patents and filed patents within the Patents, unless terminated earlier in accordance with the provisions of the Agreement.
- f. Any time after 5 years from the Effective Date, the Licensor has the right to terminate the exclusivity of this License in any national jurisdiction in the world (**Licensed Territory**) if the Licensee within 90 days after receiving written notice from the Licensor of intended termination of exclusivity fails to provide written evidence reasonably satisfactory to the Licensor that that Licensee has commercialised or is actively attempting to commercialise the inventions and discoveries covered by the patents or technology rights, as improved from time to time and including additional patent applications or patents relating to the Roto-Gro System which are within the Licensed Field (**Licensed Subject Matter**) in such jurisdictions.
- g. The Patent Licence Agreement will terminate:
 - i. upon 60 days written notice from the Licensor if the Licensee breaches or defaults on its obligation to make payments (if they are due) or fails to deliver reports as require by the agreement, unless before the end of the 60 day period, the licensee has cured the default or breach and notifies the Licensor;
 - ii. upon 90 days written notice if the Licensee breaches or defaults on any other obligation under the Agreement, unless before the end of the 90 day period, the Licensee has cured the default or breach at the satisfaction of the Licensor (acting reasonably) and so notifies the Licensor, stating the manner of the cure;
 - iii. by the Licensee for convenience, upon 180 days written notice to the Licensor and subject to any terms of the agreement which survive termination;
 - iv. automatically if the Licensee becomes bankrupt, insolvent and/or if the business of the Licensee is placed in the hands of a receiver, assignee, or trustee, whether by voluntary act of the Licensee or otherwise, and the Licensee has not taken active steps to contest such action within 30 days of its commencement, and the action is not dismissed, stayed or halted within 90 days, provided that the Licensee or trustee, receiver or assignee may within the 90 day period, submit a written agreement on terms reasonably acceptable to the Licensor, providing for the assignment of the License to a third party (reasonably acceptable to the Licensor), such assignment to close within the next ensuing 60 days; or
 - v. under the provisions set out in paragraph 6.5(f) above.

- h.** The Patent License Agreement includes customary representations and warranties for agreements of this nature.
- i.** Any mediation will be in accordance with the WIPO Mediation Rules and will take place in Toronto, Canada.
- j.** The Patent License Agreement is governed by the laws of the Province of Ontario and the laws of Canada.

6.6 Trademark License Agreement

On 12 January 2016, Roto-Gro IP (**Licensor**) and RWW (**Licensee**) entered into a conditional agreement pursuant to which RWW is granted a worldwide exclusive right and licence to use and display the ROTO-GRO trademark and certain other trademarks in connection with the Licensed Products (**Trademark Licence Agreement**).

The Trademark License Agreement is effective upon the satisfaction of the conditions precedent of the SSA for the acquisition by the Company of 80% of RWW, set out in section 6.1(a) above.

The key terms of the Trademark Licence Agreement are as follows:

- a.** The grant is exclusive in any and all fields of use and distribution to medical cannabis or medical marijuana producers, distributors and resellers and is non-exclusive otherwise.
- b.** RWW has the right to issue sublicenses provided the sublicensee agrees in writing to be bound by the terms of the Trademark License Agreement and such agreement is registered or filed in compliance with the applicable laws of the jurisdiction of the Licensee.
- c.** The Trademark License Agreement may not be assigned or transferred by either party without obtaining prior written approval of the other party which shall not be unreasonable withheld. The Licensee may assign the licence rights without obtaining the consent of the Licensor in connection with an assignment, merger sale, divestiture or transfer of substantially all of the business or assets to which the Patent License Agreement relates, giving 30 days prior notice.
- d.** The Trademark License Agreement can be terminated by the Licensor upon no less than 30 days prior written notice to the Licensee in the event of a breach of any term or condition of the agreement.
- e.** The Agreement will terminate automatically if the Licensee becomes bankrupt or insolvent and/or if the business of the Licensee is placed in the hands of a receiver, assignee, or trustee, and the Licensee has not taken active steps to contest the action within 30 days of its commencement, and such action is not dismissed, stayed or otherwise halted within 90 days, provided that the Licensee, trustee, receiver or assignee as the case may be, may within 90 days submit a written agreement in terms acceptable to the Licensor providing for the assignment of the License to a third party (reasonable acceptable to the Licensor), such assignment to close within the next then ensuing 60 days.

- f. The Trademark License Agreement will terminate on 31 December 2040 unless otherwise extended and will automatically extend for further periods of 5 years each unless one or both parties elects to terminate. Written notice of termination is required no less than 6 months prior to the date of termination.
- g. The Trademark License Agreement includes customary representations and warranties for agreements of this nature.
- h. Any mediation will be in accordance with the WIPO Mediation Rules and will take place in Toronto, Canada.
- i. The Trademark License Agreement is governed by the laws of the Province of Ontario and the laws of Canada.

6.7 Original Equipment Manufacturer Supply Agreement

On 14 January 2016, RWW (**Buyer**) and Roto-Gro Tech (**Seller**) entered into an OEM Agreement pursuant to which the Seller agrees to manufacture and sell to the Buyer and Buyer agrees to purchase from the Seller, the Products comprising any or all parts and/or components assembled or incorporated in the Products and any other goods sold pursuant to the Agreement.

The key terms of the OEM Agreement are as follows:

- a. The term of the OEM Agreement is for a period of 25 years commencing on the date of the agreement with automatic annual renewal for a successive 12 month period unless either party gives at least 3 months prior written notice of its intention to terminate the agreement upon the expiration of the initial term or any renewal.
- b. The price of the Products may be increased on an annual basis pursuant to written agreement of the parties and will be increased automatically consistent with the annual increase in the Consumer Price Index of Canada. The Seller represents that any increases in the price of the Products pursuant to the written agreement of the parties will be based upon the Seller's costs of production of the Products.
- c. The Products will be delivered and priced FOB Incoterms 2010, that is delivery occurs when the Products pass the ship's rail at the named port of shipment so that the Buyer bears all costs and risks of loss of or damage to the Products from that point. The Seller must clear the Products for export.
- d. The Seller, at its expense, will obtain all necessary permits or licenses to export the Products from the country of shipment. Any permits or licences as may be required for the Buyer to import the Products into other countries will be the responsibility of the Buyer.
- e. Customs, duties, taxes and similar charges which may be imposed by the country of shipment will be borne by the Seller. Customs, duties, taxes and similar charges which may occur in the Buyer's country or elsewhere in the world will be paid by the Buyer and any such costs prepaid by the Seller will be invoiced to the Buyer.

- f. If the Seller is unable to maintain supply, the Buyer has the option to manufacture the Products itself (or by another party authorised by the Seller) and the Seller will use its commercially reasonable best efforts to assist the Buyer (or other authorised party) to manufacture the Products by consenting to the use of its confidential information provided that the Buyer (or any other authorised party) executes any documentation required by the Seller to protect its rights to such confidential information.
- g. The Products may be operated with an optional software and computer interface. If purchased by the Buyer, the Seller will provide the Buyer with any software updates as soon as they are available.
- h. The Seller will supply the Buyer with spare parts provided the Buyer continues to purchase the Products pursuant to the terms and conditions of the agreement and for two years after the last shipment of the Products to the Buyer.
- i. The price for spare parts may be changed by the Seller at the end of each contract year and with the price premised on the direct cost to the Seller plus directly attributable overheads.
- j. The Buyer may purchase standard spare parts from the Seller's suppliers directly.
- k. The Seller will provide the Buyer with Tier 1, Tier 2 and Tier 3 technical support from 1 June 2015 to 31 May 2018. Such support will be provided 9 hours per day, Monday to Friday until 1,000 units of the Products are delivered by the Seller. Following the delivery of 1,001st unit of Products to the Buyer, such support will be provided for 24 hours per day 7 days a week. If the Buyer continues to purchase the Products pursuant to the terms of the OEM Agreement and for 2 years after the last shipment of Products to the Buyer, the Seller will provide the Buyer with Tier 1 technical support. During this period, the Seller will provide, at the Buyer's request and expense, a branded customer support website for on-line technical support for the Buyer's customers. The price to the Buyer for such support will be agreed upon by the parties acting in a commercially reasonable manner.
- l. In the event of breach or default in the effective performance in any of the terms, conditions, covenant or agreements contained in the agreement, the other party may give to the breaching or defaulting party a written notice of such default, and if not adequately cured within 30 days from the date of such notice, the aggrieved party may terminate the agreement. Notwithstanding such termination, the defaulting party will be and remain liable to the aggrieved party as to damages or loss resulting from such default, subject to various provisions of the agreement.
- m. The OEM Agreement may be terminated immediately by either party upon:
 - i. the insolvency of the other party; or
 - ii. filing by or against the other party of voluntary or involuntary petition in bankruptcy or for corporate reorganisation or for any similar relief; or
 - iii. the execution of an assignment by the other party for the benefit of creditors or appointment of a receiver or other party for any reason,

unless such event is contested by the relevant party and evidence of the contest is given to the other party within 10 days of notice.

- n. In the event of dispute between the parties relating to the application, interpretation, implementation or validity of the agreement, the parties agree to seek to resolve the dispute or controversy through mediation with ADR Chambers of Canada before pursuing any other proceedings. The parties are not precluded from taking injunctive relief. The mediation will be held in Toronto, Ontario. The costs of the mediator will be shared equally by the Parties. If not resolved within 30 days of the notice of desire to mediate, either party may terminate the mediation and proceed to arbitration, in which case the dispute will be resolved by arbitration at ADR Chambers of Canada pursuant to the general ADR Chambers Rules for Arbitration. The arbitration will be held in Toronto, Canada and proceed in accordance with the provisions of the Arbitration Act (Ontario).
- o. The OEM Agreement is governed by the laws of the Province of Ontario.

7

LEGAL OPINIONS

OPINION – ROTO-GRO INTERNATIONAL LIMITED

Introduction

Roto-Gro International Limited (“Roto-Gro”) is a company incorporated in Western Australia and intends to apply for listing on the Australian Stock Exchange (“ASX”).

Roto-Gro has entered into a conditional share sale agreement for the acquisition of 80% of the issued capital of Roto-Gro World Wide Inc (“RWW”) with an option to purchase the remaining 20%. RWW is an entity incorporated in Mauritius.

RWW has agreed to acquire certain rights in relation to the Roto-Gro system, which is an automated rotary hydroponic garden system designed and manufactured in Canada in late 2006 (the “Roto-Gro System”).

RWW, as licensee, has entered into a conditional patent licence agreement to acquire a royalty-bearing licence under:

- a) a worldwide exclusive licence to distribute the Roto-Gro System and any improvements (products) to medical cannabis producers, distributors and resellers; and
- b) a worldwide non-exclusive licence to distribute the products for other purposes (Licences).

The Roto-Gro System has many applications, including health and food supplements, herbal and spice markets, pharmaceuticals and food production and distribution.

The Roto-Gro System has been identified by certain medical cannabis producers and distributors in Canada, the United States and Europe as representing an opportunity to produce a uniform, high quality medical cannabis product at a reasonable cost.

I am instructed that use of cannabis for medicinal purposes is permitted in Canada pursuant to the *Access to Cannabis for Medical Purposes Regulations (ACMPR)* which came into force on 24 August 2016. I understand that under the ACMPR there is a framework for the commercial production by licensed producers for the production and distribution of cannabis.

I am further instructed that the Roto-Gro System includes software systems to comply with the regulatory requirements of ACMPR.

Opinion Sought

I have been asked asked to provide a legal opinion for inclusion in Roto-Gro's prospectus concerning the legality of the Roto-Gro System in the context of its proposed business activities and the acquisition of RWW.

The legal opinion addresses the following issues:

- a) whether use of the the Roto-Gro System in so far as it may be used in connection with the manufacture or preparation of a prohibited plant, namely cannabis, would constitute an offence the *Misuse of Drugs Act 1981* (WA);
- b) whether Roto-Gro's proposed operations, being in part the distribution of the Roto-Gro System to medical marijuana producers, distributors and resellers in Canada and the United States would render it guilty of any offence under the laws of Australia;
- c) whether, if Roto-Gro were to sell the Roto-Gro System to medical cannabis producers, distributors and resellers in Western Australia, it could be guilty of an offence;
- d) whether the provisions of the *Narcotic Drugs Amendment Act 2016* (Cth) would permit the lawful distribution of the Roto-Gro System in Australia for the purposes of medical cannabis production and, if so, are under what circumstances?

Australian Drug Law

Cannabis is a prohibited plant within the meaning of section 4 and Schedule II of the *Misuse of Drugs Act 1981* (WA) ("the *Misuse of Drugs Act*") and is a controlled plant under section 301.2 of the *Criminal Code* (Cth).

Conduct in relation to the possession, cultivation, manufacture and sale and supply of cannabis may constitute offences under both under the *Misuse of Drugs Act* and the *Criminal Code* (Cth).¹

Certain forms of cannabis may not strictly be the province of the criminal law but be subject to regulation, such as forms of cannabis listed in the Schedules to the SUSMP.²

Relevantly in the present context, the supply of equipment to a person, knowing that the person will use it to cultivate cannabis, may also be an offence under State and Federal criminal law: Section 7A of the *Misuse of Drugs Act* and Section 308.3 of the *Criminal Code* (Cth).

State or Federal Law?

The question of whether State or Federal law would have application to conduct in a given set of circumstances amounting to an offence is a question of jurisdiction.

Generally, the criminal law is the responsibility of the States and Territories, as the Constitution does not contain a specific head of power relating to criminal law.³

On the assumption that the business of Roto-Gro is to be carried out either in Western Australia or overseas (and not in other States which have similar legislation restricting the cultivation of cannabis), the only potential relevant State legislation is the *Misuse of Drugs Act*.

Whether the use, sale or supply of the Roto-Gro System would constitute an offence under the *Misuse of Drugs Act*

¹ Commonwealth statutes which regulate inter alia the production, manufacture, import and export etc of cannabis and cannabis derived products include the *Criminal Code* (Cth) 1995, the *Narcotic Drugs Act* (Cth) 1967, *The Narcotic Drugs Amendment Act* (Cth) 2016, *The Customs Act* (Cth) 1901, *The Therapeutic Goods Act* (Cth) 1989 and *The Quarantine Act* (Cth) 1908. Various State and Territory laws provide penalties for the possession, use etc of cannabis.

² Schedule 9 includes cannabis "except when separately specified in [the Schedules to the Standard] or "processed hemp fibre containing 0.1 per cent or less of tetrahydrocannabinol and products manufactured from such fibre."

³ See the discussion in Weldon, *Criminal Law of Western Australia* on section 12 of the Criminal Code (WA).

Section 7 (1) of the *Misuse of Drugs Act* provides that a person who cultivates a prohibited plant with intent to sell or supply it to another is guilty of an indictable offence.

Section 7A (1) of the *Misuse of Drugs Act* provides that:

“a person who sells or supplies, or offers to sell or supply, to another, any thing that the person knows will be used to cultivate a prohibited plant contrary to section 7 (1) (a) or (2) by hydroponic means commits an indictable offence”.

The offence under section 7(1) is subject to a defence in circumstances where a person is authorised by or under the *Misuse of Drugs Act*, the *Poisons Act 1964 (WA)*⁴ or the *Industrial Hemp Act 2004 (WA)*. These provisions should now be read in conjunction with sections 8 of *Narcotic Drugs Amendment Act 2016 (Cth)* (“the *NDA Act*”) which amends section 7A of the *Narcotic Drugs Act 1967 (Cth)*. These provisions make it clear that it is Parliament's intention that State or Territory laws that purport to allow (or conversely, prevent) the cultivation of cannabis plants, will now be the responsibility of the Commonwealth. Any State or Territory provisions existing outside the regulatory scheme established by the amendments to the *NDA Act* will continue to operate to deal with criminal activities associated with the cultivation and trafficking of cannabis.

Any State or Territory law that purported to *prevent* any activity that would be authorised under section 25A of the *Narcotic Drugs Act*, as amended by the *NDA Act*, would be inconsistent with the Act and consequently ineffective.⁵

In my opinion, provided that the person or entity doing the cultivating has a licence under the *NDA Act*, then it would not be unlawful for Roto-Gro to supply or offer to supply the the Roto-Gro System to a person knowing that it will be used for the cultivation of cannabis.

Does the Misuse of Drugs Act have extra-territorial application for the supply of the Roto-Gro system to markets in Canada and the United States?

⁴ See section 41.

⁵ *Narcotic Drugs Amendment Bill 2016*, Explanatory Memorandum at page 43.

Section 12 of the *Criminal Code* (WA) purports to extend the jurisdiction of the Western Australian criminal law (which includes the *Misuse of Drugs Act*) beyond Western Australia's borders.

Although section 2(1) of the *Australia Act 1986* (Cth) provides that each State not only has power to enact laws for the "peace, order and good government" of the State, it also has the power to enact legislation with extra-territorial effect where there is some connection to the State in question.⁶

If the Roto-Gro System were to be sold through RWW to markets in Canada and the United States, then the relevant conduct would lack sufficient connection with Western Australia to invoke its jurisdiction.⁷

In my opinion, the distribution of the Roto-Gro System to medical marijuana producers, distributors and resellers in Canada and the United States, regardless of the lawfulness of that activity in those countries, would not constitute an offence under the *Misuse of Drugs Act*.

Commonwealth Jurisdiction over Drug Offences

Prior to the passing of the *Law and Justice Amendment (Serious Drug Offences and Other Measures) Act 2005* (Cth),⁸ serious drug import and export offences were prosecuted under section 233B of the *Customs Act 1901* (Cth) in conjunction with the *Crimes (Traffic in Narcotic Drugs and Psychotropic Substances) Act 1990* (Cth) ("the TINDAPS Act"), both Acts giving effect to the *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances*, signed at Vienna on 20 December 1988.⁹

⁶ See eg *Pearce v Florenca* (1976) 135 CLR 507 in which Western Australia was permitted to legislate against the taking of undersized fish in waters off the Western Australian coastline and *Commissioner of Stamp Duties of NSW v Millar* (1932) 48 CLR 618 in which laws taxing the shares of a resident of Victoria in a Victorian company was held to be invalid (even though that company carried on some business in New South Wales).

⁷ Cf: eg *State of Western Australia v Marchesi and Maguire* [2005] WASCA 133 in which a conspiracy to import drugs to Western Australia formed in Victoria was held to have insufficient connection with Western Australia to invoke its jurisdiction.

⁸ This Act was given Royal Assent on 8 November 2005 and came into effect on 6 December 2005.

⁹ Note also that Australia is a signatory to the Single Convention on Narcotic Drugs (1961) and the Convention on Psychotropic Substances (1971).

Following the passing of the *Law and Justice Amendment Act*, the *Customs Act 1901* (Cth) provisions were repealed and Part 9.1 of the *Criminal Code* (Cth) came into effect, creating a new set of serious drug offences (such as trafficking, cultivation, selling and commercial manufacture and possession).¹⁰ These new offences were not limited to circumstances involving an importation or exportation as they had been in their previous form under the *Customs Act 1901* (Cth).

Generally, conduct occurring within Australia is regarded as the province of State law unless there is a federal aspect to it (such as, for example, the importation of a quantity of illicit drugs into Australia).

Extra – Territorial Application of Commonwealth Offences

As explained above, State law has no application in respect of conduct occurring outside State borders unless there is a clear connection to that jurisdiction. The *Criminal Code* (Cth) on the other hand contains extended geographical provisions expanding the application of the Code provisions beyond Australia's borders.

The Extended Geographical Jurisdiction Provisions of the Criminal Code (Cth)

There is no question that the external affairs power contained in section 51 (xxix) of the *Constitution* provides the Commonwealth with the power to legislate beyond Australia's borders.¹¹ The extended geographical provisions of the *Criminal Code* (Cth), which deal with conduct physically external to Australia, are a clear manifestation of that power.¹²

Serious Drug Offences – Category B Offences

Section 300.3 of the *Criminal Code* (Cth) deems all serious drug offences (being the offences contained in Part 9 of the Code and which include, relevantly, the offence

¹⁰ Division 302, 303, 305, 308 of *Criminal Code* (Cth).

¹¹ Eg: Section 3A of the *Crimes Act* which states "This Act applies throughout the whole of the Commonwealth and the Territories and also applies beyond the Commonwealth and the Territories". See *Polyukovich v The Commonwealth* (1991) 172 CLR 501.

¹² Part 2.7 of the *Criminal Code* (Cth).

created under section 308.3 to be “Category B” offences for the purpose of the extended geographical provisions of the Code.

Section 15.2 of *Criminal Code* (Cth) extends jurisdiction for category B offences outside Australia. It reads as follows:

“(1) if a law of the Commonwealth provides that this section applies to a particular offence, a person does not commit the offence unless:

....(c) the conduct constituting the alleged offence occurs wholly outside Australia and:

- (i) at the time of the alleged offence, the person is an Australian citizen; or.....
- (ii) at the time of the alleged offence, the person is a body corporate incorporated by or under a law of the Commonwealth or of a State or Territory” ...

On the face of it, section 15.2 would make a person who is an Australian citizen or a body corporate incorporated in Australia engaging in conduct amounting to the commission of a drug offence criminally responsible, even where that conduct occurred abroad (and indeed even where that conduct is legal in the place where the conduct was being committed).

The extended geographical provisions of the *Criminal Code* (Cth) as they relate to Category B offences link the jurisdiction of Australia to prosecute Australian citizens to their nationality. This is an exception to the principal of “international comity”¹³ and means that Australian citizens engaging in conduct abroad which amounts to an offence against the *Criminal Code* (Cth) may still (technically) attract criminal responsibility.

Foreign Law Defence

Section 15.2 (2) of the *Criminal Code* (Cth) provides a defence to conduct, which would otherwise be caught by the Code provisions. It reads:

¹³ The principal of “international comity” was expressed in the case of *R v Treacy* [1971] ACA 537 by Lord Diplock at p 561 in this way: “each sovereign state should refrain from punishing persons for their conduct within the territory of another sovereign state where conduct has no harmful consequences within the territory of the state which imposes the punishment”.¹³

“If a law of the Commonwealth provides that this section applies to a particular offence, a person is not guilty of the offence if:

aa) the alleged offence is a primary offence; and

a) the conduct constituting the alleged offences occurs wholly in a foreign country, but not on board an Australian aircraft or Australian ship; and

b) the person is neither:

(i) an Australian citizen; nor

(ii) a body corporate incorporated by or under a law of the Commonwealth or of a State or Territory; and

c) there is not in force in:

(i) the foreign country where the conduct constituting the alleged offence occurs.....a law of that foreign country or a law of that part of the foreign country, that creates an offence that corresponds to the first mentioned offence”...

The Foreign Law defence under this section of the Code provides a person (or a corporation) with a defence where the conduct is not illegal in the country in which the conduct is being engaged in, provided that the relevant person is not an Australian citizen or corporation.

In my opinion, given that it is proposed that the distribution of the Roto-Gro System is to be conducted by RWW, a company incorporated in Mauritius, and on the assumption that the conduct would not constitute an offence in the place in which that conduct is taking place, then the Foreign Law defence would apply.

Principles of Corporate Criminal Responsibility under the Criminal Code – the Liability of Roto-Gro

Roto-Gro is a "corporation" in the common law sense formed by registration under Part

2A.2 of the *Corporations Act 2001* (Cth). The registration of a company creates a legal entity capable of having its own legal rights and obligations separate from those of its members.

As legal persons, corporations can be found to be criminally responsible for offences under Australian law for direct or indirect involvement in crimes committed in Australia or overseas.

Part 2.5, Division 12 of the *Criminal Code* (Cth) outlines the circumstances in which corporations can be held criminally responsible.¹⁴

Corporate criminal responsibility can be established where a corporation “expressly, tacitly or impliedly authorised or permitted the commission of the offence”.¹⁵

Section 12.2 of the *Criminal Code* (Cth) extends criminal responsibility to include offences committed by an employee, agent or officer of a corporation acting within the actual or apparent scope of his or her employment.

Pursuant to Section 12.3, such authorisation or permission can be established in instances where:

- The corporation's board of directors or high managerial agent intentionally, knowingly or recklessly carried out the relevant conduct, or expressly, tacitly or impliedly authorised or permitted the commission of the offence;
- A corporate culture existed within the body corporate that directed, encouraged, tolerated or led to non-compliance with the relevant provision; or
- A corporation failed to create and maintain a corporate culture that required compliance with the relevant provision.

In my opinion, given that the distribution of the Roto-Gro System is to be carried out by foreign citizens as members of a foreign corporation (i.e. RWW), the Foreign Law Defence would apply. Those foreign citizens would not attract criminal responsibility under the *Criminal Code* (Cth).

¹⁴ In instances where legislation does not specifically state either a corporation is liable for an offence, Section 22 of the *Acts Interpretation Act 1901* (Cth) defines a “person” to include a body corporate.

¹⁵ Section 12.3(1).

The accessory provisions of the *Criminal Code* (Cth) would not apply as the conduct would not make Roto-Gro or its officers guilty of an offence as there would have been no offence committed by the principal (i.e. RWW).

Prosecution Policy

There is no policy of prosecuting persons or corporations engaging in legitimate research into the medical uses of what are otherwise illicit drugs in any event. The policy of the Australian legislature (as evidenced by the recent enactment of the *Narcotics Drugs Amendment Act 2016*) suggests that Parliament intended that there be defences enshrined in the legislation to recognize the many legitimate uses for controlled substances in the community.¹⁶

Defences to conduct within Australia – Relevance of the *Narcotic Drugs Act 1967* (Cth)

Clearly, the offences contained in Part 9 of the *Criminal Code* (Cth) are designed to target the illicit drug trade.

Section 10.5 of the *Criminal Code* (Cth) provides that a person is not criminally responsible for an offence against Part 9.1 if the person's conduct is justified or excused by or under another Commonwealth law (such as the *Narcotic Drugs Act 1967* (Cth)).

The *Narcotic Drugs Act 1967* (Cth) purports to establish a legislative basis for the licensing of manufacture of narcotic drugs. It sets out the circumstances in which the manufacture of narcotic drugs would be lawful, subject to the States enacting complementary legislation. Until now, although there was in theory a legislative basis to obtain such a licence, the legislation was not adequate for that purpose and required amendment.

Narcotic Drugs Amendment Act 2016 (Cth)

The *NDA Act* which commenced on 1 May 2016 makes provision for the application for a "medical cannabis licence" which is intended to meet Australia's strict international obligations for the production, manufacture and distribution for medicinal

¹⁶ *Law and Justice Legislation Amendment (Serious Drug and Other Measures) Bill 2005* explanatory memorandum at page 101.

and scientific purposes.¹⁷ The NDA Act purports to give the Commonwealth the responsibility for the granting of licences for, inter alia the authorisation of the cultivation of cannabis plants for the purposes of producing cannabis for medicinal or related scientific purposes.¹⁸

Relevantly, section 8E(1) of that Act provides that *“a person may apply to the Secretary for a licence (a medicinal cannabis licence) that authorises one or more of the following activities:*

- a) the cultivation of cannabis plants, in accordance with one or more medicinal cannabis permits, for the purpose of producing cannabis or cannabis resin for medicinal purposes and, if appropriate, the obtaining of cannabis plants for the purpose of such cultivation;*
- b) the production of cannabis or cannabis resin for medicinal purposes, in accordance with one or more medicinal cannabis permits;”*

In my opinion, provided that the Roto-Gro System is distributed to a person who holds such a licence then such distribution would be lawful.

Summary of Advice

I would answer the questions posed of me as follows:

- a) although the sale of or offer to sell the Roto-Gro System could constitute an offence under the *Misuse of Drugs Act 1981* (WA), it would not be an offence if it is sold or supplied to a person with lawful authority to cultivate cannabis;
- b) the distribution by RWW of the Roto-Gro System to medical marijuana producers, distributors and resellers in Canada and the United States would not render it guilty of any offence under the laws of Australia;
- c) if Roto-Gro were to sell the Roto-Gro System to medical cannabis producers, distributors and resellers in Western Australia with lawful authority to conduct those activities, it would not be guilty of an offence;

¹⁷ Sections 2A and 3.

¹⁸ Section 7A.

d) the *Narcotic Drugs Amendment Act 2016* (Cth) could facilitate the lawful distribution of the Roto-Gro System in Australia to persons holding a licence under section 8E of the NDA Act 2016.

B. Leusdale

COUNSEL

John Christie

Barrister & Solicitor

750 Scarlett Road, Etobicoke ON M9P 2V1 Office 416.249.8300 Fax 416.249.1480

The Directors
Roto-Gro International Limited
Level 11, 216 St Georges Terrace
Perth, WA, 6000

27 September 2016

Dear Directors

You have asked me to provide an opinion as to the legality of the distribution of the Roto-Gro Unit in Canada for the specific purpose of growing marijuana.

I am a criminal lawyer in Toronto, and have practiced criminal law for over 25 years. The first three years of practice I worked as a Crown Attorney prosecuting drug cases under the Controlled Drugs and Substances Act (CDSA). For the last 20 years I have been defending individuals charged with criminal offences. Much of the work I have done in the last 20 years has been in relation to controlled substances and I have had a great deal of experience defending marijuana prosecutions both for producing marijuana and distributing marijuana.

The production and distribution of marijuana is criminalized by the CDSA. It is an offence punishable by up to 7 years in jail to produce marijuana, pursuant to section 7 of the CDSA. Section 5 of the CDSA provides for a penalty of up to life for trafficking marijuana.

Section 2 of the CDSA defines "offence related property."

offence-related property means, with the exception of a controlled substance, any property, within or outside Canada,

- (a) by means of or in respect of which a designated substance offence is committed,
- (b) that is used in any manner in connection with the commission of a designated substance offence, or
- (c) that is intended for use for the purpose of committing a designated substance offence

The Roto-Gro Unit used in an illegal marijuana grow operation would undoubtedly fall within the definition of offence related property. What is the significance of this?

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John Christie

Barrister & Solicitor

750 Scarlett Road, Etobicoke ON M9P 2V1 Office 416.249.8300 Fax 416.249.1480

Sections 16 through 22 of the CDSA relate to the forfeiture of offence related property. Section 16 is set out below. Nothing in the CDSA makes it an offence to deal with offence related property i.e. to possess it, to sell it; or to buy it is not an offence. The only impact of the CDSA is that offence related property is subject to forfeiture when it is used in a marijuana grow operation.

Forfeiture of Offence-related Property

Order of forfeiture of property on conviction

- **16 (1)** Subject to sections 18 to 19.1, where a person is convicted of a designated substance offence and, on application of the Attorney General, the court is satisfied, on a balance of probabilities, that any property is offence-related property and that the offence was committed in relation to that property, the court shall
 - **(a)** in the case of a substance included in Schedule VI, order that the substance be forfeited to Her Majesty in right of Canada and disposed of by the Minister as the Minister thinks fit; and
 - **(b)** in the case of any other offence-related property,
 - **(i)** where the prosecution of the offence was commenced at the instance of the government of a province and conducted by or on behalf of that government, order that the property be forfeited to Her Majesty in right of that province and disposed of by the Attorney General or Solicitor General of that province in accordance with the law, and
 - **(ii)** in any other case, order that the property be forfeited to Her Majesty in right of Canada and disposed of by such member of the Queen's Privy Council for Canada as may be designated for the purposes of this subparagraph in accordance with the law.
- **Property related to other offences**

(2) Subject to sections 18 to 19.1, where the evidence does not establish to the satisfaction of the court that the designated substance offence of which a person has been convicted was committed in relation to property in respect of which an order of forfeiture would otherwise be made under subsection (1) but the court is satisfied, beyond a reasonable doubt, that that property is offence-related property, the court may make an order of forfeiture under subsection (1) in relation to that property.
- **Property outside Canada**

(2.1) An order may be issued under this section in respect of property situated outside Canada, with any modifications that the circumstances require.
- **Appeal**

(3) A person who has been convicted of a designated substance offence or the Attorney General may appeal to the court of appeal from an order or a failure to make an order under subsection (1) as if the appeal were an appeal against the sentence imposed on the person in respect of the offence.

John Christie

Barrister & Solicitor

750 Scarlett Road, Etobicoke ON M9P 2V1 Office 416.249.8300 Fax 416.249.1480

In summary the selling of a Roto-Gro Unit, even knowing that it will be used for a grow operation is not a crime, the only consequence is that the Roto-Gro Unit may be subject to seizure and forfeiture if and when it is determined to be offence related property.

On the 5th of August 2016 the Government of Canada enacted the Access to Cannabis for Medical Purposes Regulations. These regulations provide a legal framework within which Canadians can legally obtain an authorization to produce marijuana for themselves or to produce as a person designated by a medical marijuana patient, for that patient.

Sections 172 through 186 of the regulations relate to "Production for own medical purposes and production by a designated person." These regulations set limits on the number of plants to be grown and the authorizations contemplated by the section will dictate whether the product may be produced indoors or outdoors. Nothing in the regulations stipulates the amount of space or the type of equipment that can be utilized to grow the medicine. There is no list of prohibited methods of growing and no description of any specific grow equipment, and no restrictions on the use of any specific equipment.

It is my opinion that the distribution of the Roto-Gro Unit does not in any way violate the CDSA or the Access to Cannabis for Medical Purposes Regulations.

Yours truly,



John Christie
Barrister and Solicitor



8

INTELLECTUAL PROPERTY REPORT

8 INTELLECTUAL PROPERTY REPORT

Roto-Gro International Limited
C/- Mining Corporate
Level 11, London House
216 St Georges Terrace PERTH WA 6000

October 2016

Roto-Gro International Limited: Intellectual Property Report **Our Ref: LIC2010CA00**

Dear Madam, Sir:

1. REPORT SUMMARY

Set out below is our report (the "Report") outlining the current status of the patent applications, registered trademarks, and trademark applications owned by Roto-Gro Inc. ("RGI") or Roto-Gro IP Inc. ("RGIP") for inclusion in a Prospectus to be lodged at the Australian Securities & Investments Commission.

The Report summarizes the details and status of the pending patent applications in Schedule 1 and registered trademarks and trademark applications in Schedule 2. To the best of our knowledge, the Report is accurate as at its date, subject to the limitations and qualifications set out in Section 5 (for example, subject to the sources of information described in Section 5.1).

2. INTELLECTUAL PROPERTY

2.1. Meaning of Intellectual Property

The term "intellectual property" refers to a group of registrable (and, in some cases, non-registrable) rights, including rights to patents, designs, trademarks, plant varieties, copyright, confidential information, and trade secrets. Intellectual property has many of the characteristics possessed by real and personal property. For example, an intellectual property right is an asset that can be bought, sold, licensed, exchanged, or otherwise transferred. An intellectual property owner has the right to prevent the unauthorized making, using or selling of the property.

This Report is directed only to intellectual property that is in the form of patents and patent applications as well as registered trademarks and trademark applications.

2.2. Patents

Patents protect new, useful, and unobvious inventions and provide a monopoly in exchange for an inventor's full disclosure of the invention to the public. A patent provides protection for a fixed period, typically up to 20 years from the filing date, provided that renewal or maintenance fees are paid on an annual or periodic basis. Patents may be granted for a wide range of subject matter, such as new or improved products, new uses for products, and methods for doing things. Such subject matter must, however, be useful, or industrially applicable. A patent cannot be granted on a worldwide basis. Instead, patents are obtained in every country where protection is desired. Although some patent granting procedures and standards are similar throughout the world, there are differences

regarding what is patentable. Accordingly, the scope of a patent can vary from country to country and indeed a patent may not be granted in a particular country for failure to comply with the relevant procedures or standards.

2.3. Inventorship and Ownership

A patent for an invention is granted to the inventor or inventors, or to a person with an entitlement to the invention by way of assignment or other transfer. The ownership and entitlement of RGI to the patents and applications in Schedule 1 are discussed in more detail below in Section 4.1.

2.4. Patenting Process

The process of protecting patent rights begins with the submission of a patent application including a written description of the claimed invention. Filing an initial patent application in the applicant's country of origin (or a foreign country that permits such a filing) satisfies this requirement. For example, Canadian applicants are permitted to file initial applications in the United States Patent and Trademark Office.

The patent system requires that the invention is new (novel) and unobvious (inventive) at the time of filing, relative to what was publicly known (or in some cases used, sold, or offered for sale publicly) at the date of the application. Accordingly, it is important that the application contains a full disclosure of the invention. A patent specification consists of a description of the invention and so-called claims that define the scope of the invention. The description may provide background information, such as a description of existing products, manufacturing or testing methods or processes and related problems, that enable an examiner and others to assess the application.

Once the initial application has been filed, further applications in foreign countries must be filed within twelve (12) months, under an international treaty called the Paris Convention, otherwise, rights to the invention can be lost in those countries. In this regard, the Paris Convention provides that the filing of an initial patent application establishes a priority date for the invention in all other countries that are party to the Paris Convention, including countries such as Canada, the United States, Japan, and Australia, among others, as well as regional offices such as the European Patent Office.

The filing of further patent applications in foreign countries can be pursued individually or in some instances by filing an application with a regional patent office, such as the European Patent Office.¹ Under such systems, an applicant requests protection for the invention in one or more countries, and each country decides as to whether to offer patent protection within its borders.

The WIPO-administered Patent Cooperation Treaty ("PCT") provides for the filing of a single international patent application, which has the same effect as national applications filed in the designated countries. An applicant seeking protection can file one application and request

¹ The European Patent Office has stated that the outcome of the UK referendum has no consequence on the membership of the UK to the European Patent Organization (link: <http://www.epo.org/news-issues/news/2016/20160624.html>).

protection in as many signatory states as needed. It should be noted that, at present, there are only 148 countries that are party to the PCT and if patent protection is required in a country that is not a party to the PCT, then individual applications must be filed in these countries by the twelve (12) month anniversary of the initially filed application. Major industrial countries that are not parties to the PCT include Taiwan and Argentina.

Applications filed individually in countries rather than via the PCT are examined under the national laws of those countries. However, a PCT application is considered under the terms of the PCT rules. Once the PCT application has been filed it is subjected to what is called an "international search," carried out by one of the major patent offices. The search results are then communicated to the patent applicant in an "international search report," which is a listing of published documents that might affect the patentability of the invention claimed in the international application. Using the international search report, the applicant can decide to withdraw the application. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau.

If the applicant decides to continue with the international application, then within thirty (30) months of the earliest (priority) filing date, national patent applications must be filed. In some countries or regions such as Australia and Europe, the deadline is thirty-one (31) months. The applicant can also request preliminary examination which provides a report that gives a preliminary and non-binding opinion on the patentability of the claimed invention.

Once the PCT process has been completed, the national or regional phase is undertaken, as the PCT application itself does not mature into a patent or patents. The applicant may choose to enter the national phase in one or more of the countries designated in the original PCT application. Entry into the national phase is similar to filing an application in the first instance. Thus, the standard documentation and fee requirements will need to be satisfied in each country, and, in non-English speaking countries, this typically includes translating the description and claims into the language of the relevant country. Failure to enter the national phase within the thirty (30) month period will result in abandonment of the ability to secure patent protection.

The national or regional applications progress under the legislation and jurisprudence of each country or region. In most jurisdictions, such as Canada, Europe, and the United States, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. This examination establishes what is referred to as the "state of the art." The patent application is compared against the state of the art, and an assessment is made regarding whether the invention described in the application is new, useful and unobvious. Therefore, the time required to complete the process of examination differs from country to country and the scope of protection may differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is granted. With regional applications, such as a European application, a single application designates any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to the grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

2.5. Renewal fees, validity, exploitation and enforcement

Once a patent has been granted (and in some countries during prosecution as well), renewal or maintenance fees will need to be paid to maintain the patent (or application, as the case may be). It should also be noted that grant of a patent does not guarantee that the patent is valid or enforceable, and C&C provides no assurance that RGI's pending patent applications will be granted or will be held valid and enforceable following grant.

Once a patent has been granted, the owner has the exclusive rights to use the patented technology throughout the lifetime of a patent unless the validity of the patent is challenged. This means that the owner can decide to exclusively use it for his/her/its benefit and prevent others from using it. Alternatively, the owner can allow others to use it under the terms of a license agreement. The terms of the license agreement define the limited scope of the use of the patent and the consideration to be paid for the use of it.

Enforcement of patent rights varies from country to country. The remedies for unauthorized use (patent infringement) available to the patent owner can include an injunction, which stops further infringement of the patent, damages or account of profits, and legal costs involved in infringement proceedings.

2.6. Trademarks

Trademarks can be one or a combination of words, sounds or designs (also known as logos or devices) used to distinguish the goods or services of one person or organization from those of others in the marketplace. For example, a trademark can function as the brand name for a product, for a product line, or for a service. A trade name or a business name is a trademark if it functions both as a business name and as a trademark.

In Canada and some other jurisdictions such as the United States, there are trademarks which are registered under the *Trademarks Act* or similar legislation and trademarks which are recognized under the common law (unregistered trademarks). Unregistered rights are typically restricted to the geographic area or areas of use and gained a reputation. Not all marks are registrable. For example, a word that describes an inherent feature of the goods or services (i.e., a word that is merely descriptive) is not registrable.

2.7 Trademarking Process

In Canada, an application to register a trademark may be based upon:

- (a) proposed use in Canada;
- (b) use in Canada;
- (c) making known in Canada; and
- (d) use and registration abroad.

A trademark application, once filed, is examined first as to form and then as to content in the Canadian Trademarks Office. After a check of application formalities, an Examiner in the Office carries out a search of the Trademarks Register to determine if the applied-for trademark would be confused with a mark that had been previously registered or a mark that is the subject of a presently pending application, among others.

Once the initial application has been filed, further applications in foreign countries must be filed within six (6) months, under an international treaty called the Paris Convention, for the foreign application to enjoy a right of priority over intervening third party applications. In this regard, the Paris Convention provides that the filing of an initial trademark application establishes a priority date for the trademark in all other countries which are party to this Convention, including countries such as Canada, the United States, Japan, and Australia, as well as regional offices such as the European Union.

The filing of further trademark applications in foreign countries can be pursued individually or in some instances by filing an application with a regional trademark office, such as the European Intellectual Property Office (EUIPO).

The Canadian Trademarks Office will issue a report or office action detailing the Examiner's objections, if any, to which a response is due within six months. Once all objections are resolved, a notice advising of its acceptance for advertisement is issued. Third parties wishing to oppose an application that has been advertised have two months after the date of advertisement to file a formal opposition notice.

In Canada, if the application passes the advertisement stage without opposition, then the application may proceed to registration upon payment of a government fee, and, in the case of a proposed use mark, upon the filing of a declaration of use. The requirement to file a declaration of use will be deleted with the coming into force of Bill C-31 as early as 2018. Examples or specimens of current use of a trademark at the time of registration or renewal are not required in Canada. In some other countries, such as the United States, specimens of use or other formal requirements are required.

A trademark registration in Canada remains in force for 15 years with unlimited 15-year renewal periods on payment of a fee (for new marks and renewals, this term will change to 10 years upon the coming into force of Bill C-31 as noted above). In most other countries, the term of a registered trademark is ten years, and subject to ten-year renewal periods.

The Canadian *Trademarks Act* contains provisions whereby the Registrar may at any time (and must at the written request by a third party who pays a prescribed fee), unless the Registrar sees good reason to the contrary, give notice to the registered owner of a trademark requiring the owner to furnish evidence showing that its mark was in use in Canada in association with each good and service listed in the registration at any time during the three-year period immediately preceding the date of the notice, and, if it is not in use, the date when it was last so in use, including the reasons for the absence of such use, since the date given. The evidence of use filed by the owner must be filed in the form of an affidavit or statutory declaration. "Use" is defined in the *Trademarks Act*.

A registered trademark can be challenged in Court proceedings. Grounds for expungement include ownership of a trademark, distinctiveness of a trademark, abandonment of a registered trademark, and non-use of a trademark.

2.8. Licensing of Trademarks

According to section 50 of the Canadian *Trademarks Act*, a licensee includes a person other than the owner who is using the trademark under the control of the trademark owner. The use, advertisement or display of a trademark by a licensee will be considered to be use by the owner if the conditions of section 50 are met. These are; 1) the entity is licensed by or with the authority of the owner, and 2) the license gives the owner direct or indirect control of the character or quality of the goods or services sold or provided in association with the trademark.

It is not mandatory that any license is in writing, although a written license is recommended. A trademark license typically covers the basic elements of control of the character and quality of the goods and services in association with which the marks are used, including use as part of a trade name or corporate name, termination for cause, inspection, marking, etc. According to the *Act*, if the public is notified of the identity of the owner of a trademark and the fact of its licensed use, then there will be a rebuttable presumption in legal proceedings that the use is licensed and that there is the necessary control.

3. RGI PATENT AND TRADEMARK PORTFOLIO

3.1. Patents

3.1.1. Growing Tray and Cap for Rotating Hydroponic Gardening (PCT/CA2015/050478) in the name of RGI.

This patent family derives from a PCT application, namely international application no. PCT/CA2015/050478, which bears a filing date of May 26, 2015. This application claimed a priority date of May 27, 2014, from US patent application no. 14/287,666. This PCT application is proceeding through the International Phase and has not yet entered the Regional/National Phase. The 30-month deadline to enter the Regional/National Phase is November 27, 2016, for most countries (and January 27, 2016, for Luxembourg, Tanzania, and Uganda; these countries may be entered regionally within the November 27, 2016, deadline). The publication date of the application was on December 3, 2015.

These patent applications are directed to a growing tray and cap for use with a rotating hydroponic gardening system.

We have reviewed the International Search Report (ISR) and Written Opinion (WO) formulated by the International Searching Authority (ISA) mailed August 24, 2015 to determine if any claims have been found to be novel and inventive. The ISA decided that the application contained three groups of inventions. Accordingly, the WO was established in respect of only one of the three inventions claimed in the application. Claims 7-11, directed to the cap, were found to lack novelty given US Patent 5,010,686 to Rivest dated April 30, 1991. According to the WO, Rivest discloses the subject matter of these claims, namely a cap capable of covering the top of a growing tray for holding plants including a material that is light resistant, and including holes and being removably detached to the growing tray.

However, patentability will ultimately be judged on a country by country basis once this application progresses from the International Phase to the National/Regional Phase in each of

these countries. The deadline for progressing into the national phase is November 27, 2016, for this application.

We have also reviewed the Non-Final Rejection of the USPTO mailed March 8, 2016, in respect of the corresponding US application (priority application). In that correspondence, the USPTO Examiner rejected all claims for being anticipated by US Patent Pub. No. 2008/0086942 to Maier, by US Patent No. 4,337,986 to Haub et al. and by US Patent Pub. No. 2013/0232872 to Bryan. A response to the Rejection was filed on September 8, 2016.

3.1.2. Stackable Modular Rotatable Gardening System in the name of RGI.

RGI has represented that there are four patent applications in this family, all pending in the patent offices of the USA, Canada, Australia and the European Patent Office. None of the applications has been published. The applications were filed on October 14, 2015 (except for the Canadian application which was filed on October 13, 2015).

3.1.3. Addressing patent rejections.

In our experience, patent applications are commonly drafted with a broad ambit scope of claims because, among other things, different claim scopes are often allowed in different jurisdictions. This approach can be important so as not to limit the potential coverage of the patent applications unduly.

An initial rejection by a patent examiner of such broad ambit claims is commonly received (in many patent applications) and then the applicant, in conjunction with discussions with the patent examiner, narrows the claims (which are the subject of the application) to achieve allowance of the claims and subsequent grant.

Despite the initial rejection of the claims made in its patent application, it is possible that narrower claims may have a greater likelihood of allowance resulting in a granted patent.

That being the case, we have not reviewed the disclosures and make no findings as to:

- the completeness of the disclosures;
- whether each application discusses and claims alternative embodiments or approaches;
- whether the claim set is varied, or well supported in the disclosure or the priority document; and
- whether a prior art search was conducted.

Furthermore, we are not aware of and have not reviewed any patentability opinions or searches performed by RGI or its representatives. We do not know if such opinions were obtained or if they were, what features of the invention may have been suggested as being potentially patentable.

We note that at least some of the patent applications are being handled by Method Law Professional Corporation, a well-regarded firm led by a skilled patent lawyer and agent.

3.2. Trademarks

In the United States, an application to register the ROTO-GRO mark was opposed by OMS Investments, Inc. (Los Angeles, CA), owner of the well-known MIRACLE-GRO mark that is used on lawn and garden products, including fertilizers. By the terms of the Settlement and Release Agreement dated November 7, 2008, RGI reduced the identification of goods and services in connection with its US trademark application to "powered hydroponic irrigation systems, namely, valves, pumps, pipes, tubing controls, pots and reservoirs" (the "Goods"), and agreed not to seek registration of a mark containing the element "GRO" elsewhere in the world (except in association with the Goods).

On May 22, 2015, a Canadian Examiner reviewing Roto-Gro IP Inc.'s application to register the iGROW mark issued a confusion citation to the prior eGrowDirect.com registered mark owned by Greenstar Plant Products Inc. A cancellation proceeding commenced against this citation, alleging non-use in the preceding three (3) years, was decided on June 22, 2016, and absent further appeal the prior registration is scheduled to be expunged in due course.

4. OTHER MATTERS

4.1. Ownership & Entitlement

4.1.1 Patent

C&C has not reviewed any documentation regarding ownership of this patent families as set out in Schedule 1.

Moreover, it is important to note that there are legal mechanisms by which third parties can bring evidence that they have the sole or joint entitlement to an invention and any patent application or patent obtained for that invention. We are unaware of the existence of any such third party concerning the patents and patent applications set out in Schedule 1.

To the best of our knowledge, to date, there has been no third party challenge to the validity or ownership of the patent applications.

4.1.2. Trademarks

C&C has not reviewed any documentation verifying the use, or not, of the trademarks listed in Schedule 2 in Canada or elsewhere.

C&C has recommended that all the ROTO-formative marks be assigned to a single entity.

4.2. Enforcement of Patents and Trademarks

Once a patent has been granted, the patent owner can initiate infringement proceedings against an alleged infringer of the property. Infringement proceedings cannot be initiated based on a pending application.

In contrast, a trademark owner can initiate infringement proceedings against an alleged infringer in some jurisdictions such as Canada based on common law (unregistered) trademark rights.

However, a precondition for asserting an unregistered trademark is a gained reputation within the geography of use as discussed above.

4.3. Third Party Patent Rights

Filing a patent application does not mean that the applicant is free to commercially use an invention, as it is possible that the intellectual property rights of another party may be infringed by doing so. Typically, third party rights are identified by conducting a Freedom to Operate (FTO) search in the country or countries it is proposed to commercialize an invention.

C&C has not reviewed any documentation regarding FTO the technology disclosed and claimed in the patent applications as set out in Schedule 1.

As at September 22, 2016, C&C is not aware of any litigation being commenced in respect to any patent or patent application referred to in this report.

4.3. Validity of Patent Applications

The ultimate validity of the claims of a patent cannot be guaranteed. Various legal mechanisms exist to challenge the validity of patents and patent applications. For example, validity of a patent application can be challenged in the following ways:

- (a) during the examination;
- (b) in opposition or proceedings once the application has been examined and found allowable (or, in some jurisdictions, in *inter partes* proceedings after grant);
- (c) in court during revocation proceedings brought by a third party; or
- (d) during infringement proceedings initiated against an alleged infringer.

As the patent rights set out in Section 1 are still pending patent applications and may undergo further examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or if a grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the claims of the patent applications can be restricted during the examination of the application.

4.4. Licensing matters

Roto-Gro World Wide Inc. ("RWW") has negotiated the rights as licensee under a worldwide exclusive licence with RGIP to distribute a rotational hydroponic garden system and any improvements thereto ("Products") to medical marijuana producers, distributors, and resellers, and a non-exclusive license to distribute the Products for all other purposes; and as a licensee under a worldwide trademark license agreement with RGIP to use the trademarks and other intellectual property owned by RGIP and associated with the Products to market the Products.

A detailed review of the license agreements is outside the scope of our review, and we make no assurances about the fitness of the agreements.

5. LIMITATIONS AND QUALIFICATIONS

5.1. Information sources

In preparing this report, we relied on information provided by RGI concerning the patent applications in Schedule 1, including copies of the search or the examination work products of the appropriate national and international patent offices concerning the patent applications listed in Schedule 1. For the registered trademarks and trademark application in Schedule 2, we also relied on the information contained in relevant publicly available databases.

C&C is not responsible for the accuracy of the information available in public databases and accordingly cannot guarantee the accuracy of this information.

5.2. Jurisdictional requirements

Each jurisdiction has particular requirements that need to be met for the grant and maintenance of a patent. Accordingly, the assessment patentability varies from jurisdiction to jurisdiction, and inventions that are granted and registrable in one jurisdiction can be excluded from grant and registration in another. Moreover, the different jurisdictional requirements can result in a variation of the scope of patent protection obtained for the same patent in different jurisdictions. The outcome of the examination of the patent application by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, international PCT searches and examination reports are not binding on national patent applications during the examination in the national phase. Examination of patent applications often occurs at different times in different jurisdictions. This means there is also a risk that a patent can be granted on an application in one jurisdiction, and that a third party patent can subsequently be cited during the examination of another patent application that has been filed elsewhere.

In some jurisdictions, there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information can adversely affect the validity and enforceability of the patent.

We further note that there can be changes to patent law in a particular jurisdiction from time to time, which can have an impact on patents in the relevant country.

5.3. Limitations of patentability searches

A patentability search, such as international searches carried out by various patent offices under the PCT procedure, cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Such searches are computer-based searches and are dependent on the database search strategy and the coverage provided by the databases used. For example, the databases may not cover older published documents and certain jurisdictions. Further, all patentability searches are subject to the accuracy of records, as well as the indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilized and, for example, the keyword(s) selected for the search.

Accordingly, although patentability searches provide a reasonable indication of patentability, it is not possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent based on patent office searches should be regarded as indicative rather than conclusive.

Further, patent applications are not normally published until at least 18 months from the earliest priority date. Accordingly, a patentability search would not be able to identify any third party patent application that is potentially relevant to the assessment of patentability with a priority date which is less than 18 months before the date of the patentability search. Delays between official publication and the incorporation of information into the relevant database can also occur, which means that some documents may not be located in a patentability search.

5.4. Patentability of an invention

Besides documentary prior art, public use of an invention and non-confidential oral disclosures before the priority date of a patent application can also be relevant to the assessment of the patentability of the invention to which the application relates. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Commercialization or secret use of an invention in a jurisdiction by, or with the authority of, a patent applicant (or their predecessor in title) before the priority date of a patent application that has been filed in the jurisdiction by the applicant in respect of the invention, can also be relevant to the patentability of intervention and the validity of any patents that may ultimately be granted on the application. Such commercial exploitation or secret use would not normally be identified by documentary patentability searches of publicly accessible databases.

5.5. Opposition or Post-Grant Review Proceedings

Some jurisdictions, such as Australia, allow for accepted patent applications to be opposed by a third party. Others, for example, Europe, have post-grant opposition. The United States recently introduced a new type of post-grant review proceeding in the Patent Office. Successful opposition proceedings may result in some or all of the claims of an application being refused. Successful opposition or post-grant review proceedings to a granted patent may result in some or all of the claims being held invalid or restricted in breadth.

5.6. Entitlement to claimed priority date

The subject matter disclosed in a patent application that is not contained in a corresponding priority application is only entitled to the (later) filing date.

5.7. Maintenance fees

Renewal or maintenance fees must be paid to maintain a patent or patent application. At the time of preparing this Report, no maintenance fees appear to be currently overdue.

5.8. Qualifications & Independence

Chumak & Company LLP (C&C) is an Ontario-based firm of Canadian patent and trademark lawyers and agents that provides legal advice about all aspects of intellectual property.

C&C has no interest in RGI, other than fees for professional work done.

C&C has no involvement in the preparation of the Prospectus by RGI, other than the preparation of this Report. C&C is therefore considered independent of RGI for the purpose of preparing this Report and gives its consent for inclusion of this Report in the Prospectus.

The person responsible for preparing this Report is Yuri Chumak, an incorporated partner in C&C.

Yuri Chumak

Lawyer, Patent & Trademark Agent

CHUMAK & COMPANY LLP

401 Bay Street, Suite 1220A, Box 88
Toronto, Ontario, Canada M5H 2Y4

647-799-0583

647-799-0583 (Fax)

yuri@chumakcompany.com

SCHEDULE 1 - PATENTS

1.1. Patent Applications owned by RGI

1.1.1. Title: Growing Tray and Cap for Rotating Hydroponic Gardening

Patent Cooperation Treaty International Application No. PCT/CA2015/050478 - International stage (30-month time limit 27 November 2016)

United States of America Serial No. 14/287,666 - Status Non-final Rejection issued

1.1.2. Title: Stackable Modular Rotatable Hydroponic Growing

Canada Application No. 2,908,184 - Status pending (not yet published)

United States of America Serial No. 14/883,156 - Status In examination (not yet published)

Australia Application No. 2015243012 - Status pending (not yet published)

European Patent Application No. 15189807.9 - Status pending (not yet published)

SCHEDULE 2 - TRADEMARKS

2.1. Marks owned by Roto-Gro Inc.

Country	Mark	Filed	Serial No.	Registered	Reg. No.
Canada	ROTO-GRO	October 12, 2004	1233428	November 22, 2005	TMA653247
US	ROTO-GRO	November 5, 2004	78512472	August 18, 2009	3669415

2.2. Marks owned by Roto-Gro IP Inc.

Country	Mark	Filed	Serial No.	Registered	Reg. No.	Status
Canada	ROTO-BLOOM	March 17, 2004	1668050	May 19, 2015	TMA903958	Registered
Canada	iGROW	October 27, 2014	1699679			Pending
Canada	ROTO-GROWN	April 7, 2015	1722362			Allowed
Canada	SUSTAINABLE. SECURE. SAFE.	April 7, 2015	1722361			Pending
Canada	THE GREENHOUSE EVOLVED	April 7, 2015	1722363			Allowed

Interests and consent of experts

Chumak & Company LLP

Chumak & Company LLP has given and not withdrawn its written consent to be named herein as intellectual property counsel (with limited scope) in the form and context in which it is so named. Other than the expert report contained in Section 8, Chumak & Company LLP does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.



9

RISK FACTORS



9 RISK FACTORS

An investment in the Company is not risk free. Before deciding to invest in the Shares, prospective investors should read the entire Prospectus, consider the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser.

The operating and financial performance and position of the Company, the value of Shares and the amount and timing of any dividends that the Company may pay will be influenced by a range of factors. Many of these factors will remain beyond the control of the Company and the Directors. Accordingly, these factors may have a material effect on the Company's performance and profitability which may cause the market price of Shares to rise or fall over any given period.

This section identifies the areas the Directors regard as major risks associated with an investment in the Company. This list is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.1 Specific risks

In addition to the general risks outlined below, there are specific risks associated with the Company's existing and proposed operations. These include:

a. Large scale production risk

The most units Roto-Gro Tech has produced to date is up to approximately 30 to 40 units in a week. Based on Roto-Gro Tech's increase in facilities from one factory to two and an increase in staff, the Company anticipates that Roto-Gro Tech will initially have capacity to produce up to approximately 200 units per month.

An increase in production of this scale is dependent on a number of contingencies, some of which are beyond the Company's control. These contingencies include but are not limited to securing access to new production sites that are appropriate for the intended use, obtaining all necessary licenses and permits, accessing additional labour, and securing the delivery of parts from third party manufacturers of the scale required in a cost and time effective manner.

Expansion of production may also place increased demands on the Company's management, operating systems, internal controls and physical resources. If not managed effectively, these increased demands may adversely affect the Company's financial position and ability to meet customer demands.

In addition, the Company's personnel, systems, procedures and controls may be inadequate to support future operations. In order to manage expansion effectively, the Company might be required to increase expenditures to increase its physical resources, expand, train or manage its employee base, and improve management, financial and information systems and controls.

The Company's results of operations, financial condition and growth objective are likely to be materially adversely affected if it is not able to manage effectively the budgeting, forecasting or other process control issues presented by scaling up its operations.

b. Inability to attract customers

Roto-Gro units have been sold by NutriLife Products on a small scale to a limited number of customers. The success of the Company's growth strategy (which is untested) is highly dependent upon securing customers and converting trial or pipeline customers into ongoing revenue-producing customer relationships. The Company's ability to do this will be significantly affected by the Company's ability to meet customer demands in terms of price, volume and functional requirements. In particular, the Company's performance will be dependent upon its ability to design, test and launch new units that meet specific customer requirements.

Any inability of the Company to attract new customers, convert trial and pipeline customers and obtain repeat customer orders is likely to materially adversely affect the Company's business and performance. There is no guarantee that the Company will be able to attract new customers or convert pipeline or trial relationships into ongoing customer relationships.

Acceptance of the Company's products will depend on various factors, including cost, ease and familiarity of use, convenience and reliability. If customer needs and expectations are not adequately met, our products will not be competitive and our ability to generate revenues may be reduced.

c. Inability to meet customer orders

RWW has entered into an OEM Agreement with Roto-Gro Tech. Roto-Gro Tech has experience in small scale production of the Roto-Gro System of up to approximately 30 to 40 units in a week.

The Company's objectives are dependent on its ability to meet commercial orders for its Roto-Gro units. There is a risk that the Company will not be able to increase its production capacity quickly enough, while maintaining appropriate quality standards, to meet such orders. Any inability to meet orders (including compliance with quality standards) could result in lost revenue, breach of contract and may also cause reputational damage with particular customers and in the market more broadly, affecting the Company's financial performance and position.

d. Limited trading history

The Company is a start-up company with no trading history. It is difficult to make an evaluation of its business or prospects. Therefore, no assurance can be given that the Company will achieve its objectives.

The information surrounding the business model of the Company as set out in section 5.12 represents the Company's current plans and strategies for the growth of its business. The Company's ability to achieve its objectives depends on the ability of the management team to implement the proposed business plan and to respond in a timely manner to any unforeseen circumstances.

e. Concentration of ownership

The Vendors will hold approximately 55.71% (based on minimum subscription) and 54.20% (based on maximum subscription) of the Company's issued share capital upon listing. If the Vendors were to act in concert they would be in a position to exercise substantial influence over matters requiring shareholder approval, including the election of directors, and in so doing, may not act in the best interests of minority shareholders. The concentration of ownership may also discourage, delay, or prevent a change in the control of the Company, which would deprive the Company's shareholders of an opportunity to receive a premium for the Shares as part of a sale of the Company and might reduce the price for the Company's Shares.

f. Competition

The industry in which we will operate is subject to increasing domestic and global competition. Competitors or new entrants might develop new products or technologies which compete with the Company and its technology. The Company cannot predict changes that might affect the Company's competitiveness and whether existing competitors or new entrants develop hydroponic units that reduce demand for Roto-Gro units. The development of new products or technologies which compete with the Company and its product line may have a material adverse effect on the Company's ability to compete in the market.

Some of our competitors may have greater capital resources, facilities and diversity of product lines, which may enable them to easily adapt their existing operations to the production of new hydroponic equipment and allow them to compete more effectively.

Additionally, if demand for hydroponic equipment continues to increase, we expect many new competitors to enter the market. Due to this competition, there is no assurance that the Company will not encounter difficulties in obtaining market share or will not lead to reduced prices.

Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

The Company expects that technological advances in the processes and procedures for hydroponic growing equipment will continue to occur. As a result, there are risks that products that compete with the Company's products could be improved or developed.

The Company's ability to develop new hydroponic growing equipment and other technologies that appeal to customers is dependent, in part, on the technological and creative skills of its personnel and the Company's ability to protect its intellectual property rights. The Company may not be successful in the development, marketing and sourcing of new technologies or innovations that satisfy customer needs, achieve market acceptance or generate satisfactory financial returns.

If the Company is unable to adopt or incorporate technological advances, Roto-Gro's products could be less efficient or cost-effective than methods developed and sold by competitors, which could cause the Company's products to become less competitive, uncompetitive or obsolete, which would affect the operating and financial performance of the Company's projects and business.

g. Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease employment.

h. Licence exclusivity

Whilst the licence to manufacture, market and sell the Roto-Gro System for the purposes of the lawful production of medical cannabis for an initial term of until 31 December 2040 with continuing automatic extensions thereafter is exclusive, the licence to do the same for the purpose of the production of food, pharmaceuticals, herbal food additives is non-exclusive. This risk is mitigated insofar as the Company has a first right of refusal with regard to the outright acquisition of all of these rights.

i. Termination of licence exclusivity

If RWW fails to commercialise the Licensed Products or fails to actively attempt to commercialise the Licensed Products, that is, does not have sales or does not have an effective ongoing and active research, development, manufacturing, marketing or sales program as appropriate, directed at obtaining regulatory approval, production or sales of the Licensed Products in any jurisdiction or plans acceptable to the Licensor, the Licensor has the right at any time after 5 years from the Effective Date of the Patent Licence Agreement to terminate the exclusivity of the Licence in any national jurisdiction in the Licensed Territory.

j. Regulated medical cannabis laws

The medical cannabis market is expanding rapidly. Medical cannabis laws as they pertain to growing, distribution and sale of medical cannabis vary substantially from jurisdiction to jurisdiction.

The Roto-Gro System enables the producer to adjust the chemical compound levels of the product in order to meet different legislative requirements. This ability mitigates the risk of changes to medical cannabis laws, at least in so far as they relate to growing and product requirements.

As the medical cannabis industry is relatively new, it is anticipated that existing regulations may change as the industry continues to evolve. It is not possible to anticipate any such changes at this early stage. Whilst the Company sees obvious potential to leverage off the expansion of the medical cannabis market and considers itself well placed to do so, the Company's growth is not dependent on the full legalisation of cannabis as the Company itself does not grow, distribute or sell medical cannabis. It simply provides the technology to do so, such technology being equally applicable to the production of food and pharmaceuticals, herbal food additives.

k. Patent application risk

As the patent rights pertaining to Growing Tray and Cap for Rotating Hydroponic Gardening (PCT/CA2015/050478) in the name of Roto-Gro Inc (**PCT Application**) are still pending patent applications and may undergo further examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible for example that the scope of the claims of the patent applications can be restricted during examination of the application.

A written opinion has been established in respect of only one of the three inventions claimed in the PCT Application. Though a narrower claim may ultimately result in an allowance of the claim and subsequent grant, there is no guarantee that the patent may be granted.

The PCT Application was published on 3 December 2015 under publication no. WO/2015/179974. The PCT Application is proceeding through the International Phase and has not yet entered the Regional/National Phase. The 30 month deadline to enter the Regional/National Phase is 27 November 2016 for most countries and 27 January 2016 for Luxembourg, Tanzania and Uganda. Unless action is taken to enter the regional/national phase before the deadline, the subject matter of the application may be considered to be in the public domain and free to use in the jurisdictions where entry is not effected. Further, as patentability is judged on a country by country basis once the PCT application progresses from the International Phase to the National Regional Phase, there is a risk that a patent may not be granted by a particular country.

Some jurisdictions, such as Australia, allow for accepted patent applications to be opposed by a third party. Others such as Europe, have post-grant opposition. The United States recently introduced a new type of post grant review proceeding in the Patent Office. Successful opposition proceedings may result in some or all of the claims of an application being refused. Successful opposition or post grant review proceedings to a granted patent may result in some or all of the claims being held invalid or restricted in breadth.

The laws and particular requirements that need to be met for the grant and maintenance of a patent differ between each jurisdiction. The assessment patentability varies from jurisdiction to jurisdiction and inventions which can be granted and registrable in one jurisdiction can be excluded from grant and registration in another. Further, there can be changes to patent law in a particular jurisdiction from time to time, which can have an impact on patents in the relevant country.

l. Product liability and uninsured risks

The Company may be exposed to potential product liability risks which are inherent in the development, manufacturing, marketing and use of its products. Through this risk is somewhat mitigated by seller warranties such as those provided for by the OEM Agreement, it may be necessary to secure insurance to manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future. In addition, the Company's insurance may not be sufficient to cover large claims or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for products to contain defects which may rely on systems failures. Any such defects could result in loss of or delay in generating revenue as a result of a loss of market share, failure to achieve market acceptance, diversion of resources, damage to the Company's reputation and brand or increased insurance costs.

Failure to meet client expectations could damage the Company's reputation and expose the Company to damages.

The Company is exposed to catastrophic loss to necessary manufacturing equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risk will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

m. Dependence on third parties

The Company may pursue a strategy that forms strategic business relationships with other organisations for the manufacture and distribution of its products and services. The manufacture and global distribution of products and services is central to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with such organisations.

n. Research and development

There is no guarantee that any of research and development into modifications and improvements of the Roto-Gro System will be successful nor that any enhancements will be developed into products that are commercially exploitable.

o. Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

Further, expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

p. Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage its strategic direction may affect the Company's financial performance.

q. Exchange rate risks

Initial expenditure will be denominated in Canadian dollars. RWW is accounted for in US dollars while the company is accounted for in Australian dollars. The Company is exposed to the fluctuations and volatility of the rate of exchange between foreign currencies and the Australian dollar as determined in international markets.

r. Unfavourable publicity or consumer protection

The medical cannabis industry is highly dependent on consumer protection regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis. Adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have an adverse impact on demand for the Company's product (at least in relation to its supply to the medical cannabis market).

9.2 General investment risks

In addition to the above specific risks associated with the Company's existing and proposed operations, there are also general risks associated with an investment in the Shares. These include:

a. Securities investments and share market conditions

If the Company is admitted to the ASX, the price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer price and could be subject to fluctuations in response to variations in operating performance, general operations and business risk, as well as external factors over which the Directors and the Company have no control, such as movements in exchange rates, changes to government policy, legislation or regulation and other events and factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Company. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future

performance of the Company, or any return of an investment in the Company.

b. Liquidity risk

There can be no guarantee that an active market in the Company's Shares will develop. The market for the Company's Shares may be illiquid. As a consequence, investors may be unable to readily exit or realise their investment.

c. Economic risk

Changes in both Australian and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

d. Regulatory risk

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

e. Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company. As at the date of this Prospectus, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

f. Insurance risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

g. Investment speculative

The above list of risk factors should not be considered as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

The Shares to be issued under this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



10

DIRECTORS, MANAGEMENT & CORPORATE GOVERNANCE

10 DIRECTORS, MANAGEMENT & CORPORATE GOVERNANCE

10.1 Directors

The Company is managed by the Board of Directors. The Board comprises 3 Directors.

a. Michael Carli – Managing Director

Mr Carli is currently a partner at Rigobon Carli, a boutique law firm located in the Greater Toronto Area which he co-founded in 1989. Mr Carli is the past President and Chairman of St Thomas of Villanova Catholic School (a charitable corporation which operates a private preparatory school in the Greater Toronto Area) and he is currently the President and Chairman of St Thomas of Villanova Charities Inc. He also serves as pro bono legal counsel to several charitable organisations including The Tema Conter Memorial Trust and Friends of We Care. Mr Carli holds a Bachelor's degree (Economics) from York University and a Juris Doctor degree from the University of Western Ontario Law School. He is a member of the Intellectual Property Institute of Canada and a member of the American Bar Association (Intellectual Property Section).

Mr Carli has been a director of Roto-Gro International Inc and Roto-Gro IP since 25 November 2013, and Roto-Gro Tech since 8 May 2015. These entities are not controlled by Mr Carli and as such are not related parties of the Company.

b. Steve Brockhurst - Non-executive director

Mr Brockhurst has fifteen years of experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst has served on various boards and has acted as a company secretary for numerous ASX listed and unlisted companies.

c. David Palumbo - Non-executive director

Mr Palumbo has ten years of experience in accounting and financial reporting of ASX listed and unlisted companies, which includes five years as an external auditor.

Mr Palumbo provides corporate advisory and financial management advice and specialises in corporate compliance, statutory reporting and financial accounting services. He has also been involved in the listing of several junior exploration companies on the ASX.

10.2 Directors' holdings

The Directors' interests in Shares and Options of the Company as at the date of this Prospectus are as follow:

Director	Directly Held	Indirectly Held
Michael Carli	400,000	Nil*
Steve Brockhurst	400,001	225,000**
David Palumbo	75,000	Nil

* Upon completion of the SSA, Carbon Holdco Inc, a company controlled by Michael Carli, will be issued 2,025,000 Shares as vendor.

** Shares held through Mining Corporate Pty Ltd.

10.3 Contracts with related parties

The Company is party to the following material contracts/agreements with related parties of the Company.

a. Executive Service Agreement – Mr Michael Carli

On 20 October 2016 the Company entered into an agreement for the appointment of Mr Carli as Managing Director of the Company. Mr Carli will be paid a fee of \$120,000 per annum on a pro-rata basis for director fees and all reasonable expenses incurred by him in performance of his duties as Managing Director will be reimbursed. Mr Carli has also been issued 400,000 Shares for his role as Managing Director of the Company. The agreement is for a term of 12 months and may be extended for a period of up to 12 months. The agreement is subject to the laws of Western Australia.

b. Non-executive letter of appointment – Mr Steve Brockhurst

On 7 June 2016 the Company entered into a non-executive letter of appointment with Mr Steve Brockhurst pursuant to which he was appointed as a Non-executive director of the Company. Mr Brockhurst will be paid an annual Director's fee of \$40,000 from the date of listing. The agreement is subject to the laws of Western Australia. Mr Brockhurst has also been issued 400,000 Shares for his role as a non-executive Director.

c. Non-executive letter of appointment – Mr David Palumbo

On 7 June 2016 the Company entered into a non-executive letter of appointment with Mr David Palumbo pursuant to which he was appointed as a Non-executive director of the Company. Mr Palumbo will be paid an annual Director's fee of \$40,000 from the date of listing. The agreement is

subject to the laws of Western Australia. Mr Palumbo has also been issued 75,000 Shares for his role as a non-executive Director.

d. Mining Corporate Services Agreement

On 7 June 2016 the Company entered into a company secretary and corporate advisory services agreement with Mining Corporate Pty Ltd (**Mining Corporate**) of which Mr Brockhurst is a director and shareholder. The services will be charged at an hourly rate of between \$100 and \$320 plus an administration fee of 2% of the service fee. Mining Corporate will be reimbursed for reasonable expenses incurred in connection with the discharge of its obligations under the agreement. The agreement is for a term of up to 24 months and is subject to the laws of Western Australia. Mining Corporate, a company controlled by Steve Brockhurst, has also been issued 225,000 Shares for its role.

e. Ralph Sickinger – Executive Services Agreement

On 7 June 2016 the Company, H.A. Management Limited and Mr Ralph Sickinger entered into an agreement for the appointment of Mr Sickinger as Managing Director of the Company. The terms of the agreement provided for H.A. Management Limited to be paid a fee of \$144,000 for director fees and reimbursement of all reasonable expenses incurred as Managing Director in performance of his duties. The agreement was for a term of 12 months and could be extended for a period of up to 24 months. The agreement is subject to the laws of Western Australia. On 18 August 2016, Mr Sickinger resigned as Managing Director of the Company. He remains a related party of the Company for a period of 6 months from his resignation.

10.4 Remuneration received by the Director and their related entities

The Directors will be paid the following remuneration by the Company:

Director	Director's fees per annum	Salaries and bonuses	Benefits in the previous 2 years prior to the date of this Prospectus
Michael Carli	\$120,000	Nil	400,000 Shares
Steve Brockhurst	\$40,000	Nil	625,000* Shares
David Palumbo	\$40,000	Nil	75,000 Shares
Ralph Sickinger**	\$144,000	Nil	400,000 Shares

*Comprises 400,000 Shares issued to Steve Brockhurst and 225,000 Shares issued to Mining Corporate.

**Ralph Sickinger resigned as a Director on 18 August 2016.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

10.5 No other Directors interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgment of this Prospectus with ASIC, any interest in:

- a. the formation or promotion of the Company; or
- b. any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- c. the Offer;
and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:
- d. to a Director or proposed Director to induce him or her to become, or to qualify as, a Director;
or
- e. for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

10.6 Key Management

The day to day operations are managed by the following key management personnel:

- a. Ralph Sickinger – Managing Director of RWW

In his capacity as President of Green Light Capital (GLC), Mr Sickinger has spent the last ten years specialising in monetising private equity investments in micro-cap companies. Prior to co-founding GLC, Mr Sickinger was the acting President and CEO of the publically traded Carma Financial Services Corporation (Carma). Carma was formed as a result of the amalgamation of two small financial/credit services companies with less than ten employees and CAD \$250,000 in revenue. In eight years, Mr. Sickinger grew Carma into a company with 130 employees with CAD \$18,000,000 in revenue; and subsequently merged Carma with Synergex, resulting in an overall market cap in excess of CAD \$60,000,000. Mr Sickinger was a director of the Company for the period 1 July 2016 to 18 August 2016 having recently assumed the position of Managing Director of RWW to oversee operations in Canada.

The key terms of Mr Sickinger's executive service contract with RWW dated 2 November 2016 are an annual fee of \$144,000, performance related bonuses and reimbursement of all reasonable expenses incurred as President in the performance of his duties. The agreement is for a term of 12 months and can be extended for a further period of up to 24 months.

Mr Sickinger declared bankruptcy on 30 April 2010 and was discharged on 12 November 2014. His bankruptcy arose as a result of protracted divorce and custody proceedings and alimony payments beyond his means.

b. Michael Slater – Vice President of Operations, RWW

Mr Slater holds a Full Technology Certificate in precision and mechanical engineering. Mr Slater has had extensive experience in the United Kingdom, Denmark and Canada in domestic and international sales and marketing of precision machine tools and engineering. In 1982 he was appointed Vice President of Elliot Machinery in Toronto, a division of a publicly traded company. In 1991, he became the President of a private corporation manufacturing material handling and lifting equipment. He remained a senior staff member until 2009 and has subsequently held positions of officer and director of a publicly traded Namibian based copper mining and exploration company. Mr Slater will be responsible for production, production support and R&D.

10.7 Corporate governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

To the extent applicable, given the Company's size and nature, the Company has adopted the principles and recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**CG Recommendations**). The CG Recommendations are not prescriptive, but guidelines. Under the Listing Rules the Company will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the CG Recommendations in the reporting period. Where the Company does not follow a CG Recommendation, it must identify the relevant recommendation or principle that has not been followed and give reasons for not following it.

Disclosure of the Company's corporate governance practices will be given in accordance with the Listing Rules.

Copies of the Company's key policies and the charters for the Board and each of its committees are available at www.rotogro.com.au



11

DETAILS OF THE OFFER



11 DETAILS OF THE OFFER

11.1 Shares offered for subscription

By this Prospectus the Company offers for subscription up to 18,000,000 Shares at \$0.20 per Share to raise up to \$3,600,000.

All Shares offered under this Prospectus will rank equally with existing Shares. The rights and liabilities of the Shares offered under this Prospectus are summarised at section 11.15.

The details of how to apply for Shares are set out at section 11.6.

11.2 Minimum subscription

The minimum subscription under the Offer is \$3,400,000. The Company will not issue any Shares pursuant to this Prospectus until the minimum subscription is satisfied and a conditional approval letter for admission to the Official List has been received from the ASX.

Should the minimum subscription not be reached within 4 months from the date of this Prospectus, the Company will either repay the application moneys to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their application moneys. No interest will be paid on these moneys.

11.3 Opening and Closing Dates

The Opening Date of the Offer will be 5 December 2016 and the Closing Date will be 23 December 2016. The Directors reserve the right to close the Offer early or to extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

11.4 Capital structure

At the close of the Offer, the capital structure of the Company will be:

Shares	Minimum subscription	Maximum subscription
Shares currently on issue	15,795,001	15,795,001
Shares issued to Vendors at Completion	40,000,000	40,000,000
Shares offered under this Prospectus at \$0.20	17,000,000	18,000,000
Total Shares on issue following the Offer	72,795,001	73,795,001

Performance Rights	Minimum subscription	Maximum subscription
Performance Rights currently on issue	0	0
Performance Rights issued to Vendors at Completion	30,000,000	30,000,000
Total Performance Rights on issue following the Offer	30,000,000	30,000,000

11.5 Substantial Shareholders

The following Shareholders are substantial Shareholders of the Company as at the date of the Prospectus:

Shareholder	Number of Shares	%
Barclay Wells Limited	1,500,000	9.5
Svageli Investments Pty Ltd	1,000,000	6.3
Total	2,500,000	15.8

11.6 Application for Shares

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the Shares offered by this Prospectus before deciding to apply for Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

An Application for Shares can only be made on the Application Form contained at the back of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Applications must be for a minimum of 10,000 Shares (being minimum application moneys of \$2,000), and thereafter in multiples of 1,000 Shares (\$200).

The Application Form must be accompanied by a cheque in Australian dollars, for the full amount of your application moneys. Cheques must be made payable to 'Roto-Gro International Limited – Share Offer Account' and should be crossed 'Not Negotiable'.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

Completed Application Forms and accompanying cheques must be received by no later than 5:00pm (AEDT) on the Closing Date by Link Market Services Limited:

By Post to:	By Delivery to:
Roto-Gro International Limited	Roto-Gro International Limited
C/- Link Market Services Limited	C/- Link Market Services Limited
Locked Bag A14	1A Homebush Bay Drive
Sydney South NSW 1235	Rhodes NSW 2138

The Company reserves the right to extend the Offer or close the Offer early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque or bank draft for the application moneys, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application moneys is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application moneys.

No brokerage or stamp duty is payable by Applicants in respect of Applications for Shares under this Prospectus.

11.7 Applicants outside Australia

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to acquire Shares.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

11.8 Application money held in trust

All application moneys will be deposited into a separate bank account of the Company and held in trust for Applicants until the Shares are issued or application moneys returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

11.9 Allocation and allotment of Shares

The Company reserves the right to reject any Application or to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application moneys will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Offer or any part of it is cancelled, all application moneys, or the relevant application moneys will be refunded.

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or accept late Applications Forms either generally or in particular cases.

The allotment of Shares to Applicants will occur as soon as practicable after Application Forms and application moneys have been received for the minimum subscription of Shares being offered, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

11.10 Underwriter

The Offer is not underwritten.

11.11 Lead Manager Mandate

The Company has entered into a lead manager mandate with Barclay Wells Limited (Lead Manager) under which the Company has agreed to pay the Lead Manager the following fees:

- a.** A corporate fee of \$7,500 per month for a period of 24 months after the ASX listing date;
- b.** A Lead Manager fee of 1% of the total amount raised from all sources pursuant to the Offer;

- c. A capital raising fee of 5% of the total amount raised from all sources pursuant to the Offer with Barclay Wells Limited responsible for the payment to any third party holders of an AFSL; and
- d. 1,500,000 Shares (These Shares have been issued).

11.12 ASX listing

The Company will apply to the ASX within 7 days of the date of this Prospectus for admission to the Official List and for official quotation of its Shares on ASX. If ASX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all application moneys without interest.

The fact that ASX may list the Company's securities is not to be taken in any way as an indication of the merits and commercial viability of the Company or the listed securities. ASX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Prospectus.

11.13 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX.

Under CHESS, the Company will not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASPL will send a CHESS statement.

11.14 Restricted securities

The ASX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, securities held by Directors, other related parties and promoters may be restricted for up to 24 months from the date of quotation of the Company's Shares on ASX.

None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.

The Company has no voluntary escrow arrangements in place.

11.15 Rights and liabilities attaching to Shares

Full details of the rights and liabilities attaching to the Shares are:

- i. detailed in the Constitution a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- ii. in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

a. Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share. Voting may be in person or by proxy, attorney or representative.

b. Dividends

Subject to the rights of holders of shares issued with any special rights (at present there are none), the profits of the Company which the Board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Board resolves to pay a dividend in proportion to the amount for the time being paid on a share bears to the total issue price of the share. All Shares currently on issue and the shares to be issued under this Prospectus are fully paid Shares.

c. Future Issues of Securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

d. Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any recognised or electronic system established or recognized by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

e. Meetings and Notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with the Corporations Act.

f. Election of Directors

There must be a minimum of 3 director. At every annual general meeting one third of the Directors (except a managing directors) must retire from office. Any other Director who has been in office for 3 years or more since that Director's election or last re-election as a Director must also retire.

g. Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

h. Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- i. divide the assets of the Company among the members in kind;
- ii. determine how the division is to be carried out as between the members or difference classes of members.

i. Shareholder Liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

j. Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

k. Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

11.16 Employee share option plan

The Company has established the Roto-Gro Incentive Plan (**Incentive Plan**) to provide an opportunity to eligible participants to participate in the Company's future growth and provide an incentive to contribute to that growth. The Incentive Scheme is further designed to assist in attracting and retaining employees.

Subject to prior shareholder approval, Directors are entitled to participate in the Incentive Plan. No invitations have been issued under the Incentive Plan. The Directors do not currently participate in the Incentive Plan, but may do so in the future. The extent of any future participation in the Incentive Plan is unknown.

A summary of the terms of the Incentive Plan is set out below:

- a. The Company must obtain security holder approval under the Listing Rules and/or Corporations Act before the participation under the Incentive Plan of any eligible participant who is a Director of or otherwise a related party of the Company.
- b. Subject to the Corporations Act and the Listing Rules, the Board may at such times as it determines, issue invitations (in such form as the Board decides from time to time) to eligible participants, or any one or more of them, inviting applications for a grant of incentive securities up to the number specified in the invitation (**Specified Securities**) and specifying an acceptance period.
- c. The number of Specified Securities will be determined by the Board in its absolute discretion.
- d. Awards granted under the Plan (**Awards**) will be granted free of charge.
- e. The Board may impose performance criteria.
- f. The Board may in its absolute discretion determine the general terms of the Awards subject to the Corporations Act, the Listing Rules and the Constitution.
- g. In the event of a takeover bid for the Company, any Awards granted to an eligible participant will vest where, in the Board's absolute discretion, pro rata performance is in line with the performance conditions applicable to those Awards. In addition, in the event of a court-ordered arrangement or compromise, compulsory acquisition following a takeover bid or the winding up of the Company, the Board may, in its absolute discretion, determine that some or all of an eligible participant's Awards vest if pro rata performance is in line with the performance conditions applicable to those Awards.
- h. Where a participant ceases to be an employee of the Company, that participant's Awards will continue to be held by the participant (or by his or her estate as representative) and continue to be subject to the terms of the Incentive Plan except that any continuous service condition will be deemed to have been waived.
- i. However, prior to or within 60 days after a participant ceases to be an employee of the Company, the Board may determine (in its absolute discretion) that some or all of a participant's Awards will:
 - a. vest or become exercisable;
 - b. are only exercisable for a prescribed period and will otherwise lapse;
 - c. continue to be subject to some or all of the performance conditions; or
 - d. lapse on the date of cessation of employment.
- j. Unless otherwise determined by the Board, the exercise price of each Option will be a minimum of the market value of a Share when the Board resolves to offer the Options.
- k. An invitation or offer of incentive securities may only be made under the Incentive Plan if the number of Shares that may be acquired when aggregated with:

- i. the number of Shares which would be issued if each outstanding offer or Award, being an offer made or Option or Performance Right acquired pursuant to the Incentive Plan or any other employee share scheme was to be accepted or exercised; and
- ii. the number of Shares issued during the previous 3 years pursuant to the Plan or any other employee share scheme,

but disregarding any offer made, or Award acquired or Share issued, by way of or as a result of:

- iii. an offer to a person situated outside of Australia at the time of receipt of the offer; or
- iv. an offer did not require disclosure to investors under the Corporations Act; or
- v. an offer made under a disclosure document (within the meaning of the Corporations Act),

does not exceed 5% of the total number of issued Shares of the Company as at the time of the invitation or offer.

11.17 Costs of the Offer

The total estimated costs of this Prospectus are estimated to be \$460,500 (based on minimum subscription) and \$473,000 (based on maximum subscription), consisting of the following:

Cost	Minimum subscription	Maximum subscription
Sponsoring Brokers' fees	204,000	216,000
Investigating accountants' report	7,500	7,500
Patent report	24,559	24,559
Investigative Technical Report	750	750
Legal fees	125,000	125,000
Prospectus design and printing	10,000	10,000
ASIC and ASX fees	78,690	79,020
Other	10,001	10,171
Total	460,500	473,000

These expenses have been or will be paid by the Company.



12

FINANCIAL INFORMATION



12 FINANCIAL INFORMATION

12.1 Introduction

This section summarises the Company's selected financial information from the audited financial statements for the period ended 30 June 2016, as well as the pro forma financial information.

The financial information has been prepared in Australian dollars and in accordance with International Financial Reporting Standards and the Company's adopted accounting policies.

The information set out in this section and the pro forma financial information should be read together with:

- a. the risk factors described in section 9;
- b. the Investigating Accountant's Report on the Historical and Pro Forma Financial Information set out in section 13; and
- c. the other information contained in this Prospectus.

12.2 Audited Financial Statements

The historical financial information has been extracted from the Company's audited financial reports for the period from incorporation to 30 June 2016, which were audited by RSM Australia Partners, in accordance with International Auditing Standards. The audit report issued for the period ended 30 June 2016 was an unqualified opinion.

12.3 Historical statement of profit and loss and other comprehensive income

The historical statement of profit and loss and other comprehensive income has been extracted from the audited financial statements of the Company for the period ended 30 June 2016.

12.4 Historical and pro forma consolidated statement of financial position

The pro forma historical financial information has been derived from the historical financial information of the Company after adjusting for the effects of the subsequent events and pro forma adjustments described in Note 1 of the Appendix to the Investigating Accountant's Report.

The pro forma consolidated statement of financial position as at 30 June 2016 reflects the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Note 1 of the Appendix to the Investigating Accountant's Report, as if those events and transactions had occurred as at the date of the historical financial information.

12.5 Pro forma consolidated share capital

The pro forma share capital and number of Shares issued as at 30 June 2016 reflects the significant events and proposed transactions as set out in the Investigating Accountant's Report.

12.6 No prospective financial forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings because the variable and uncertain nature of the Company's revenue. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Prospectus includes, or may include, forward looking statements including, without limitation, forward looking statements regarding the Company's financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward looking statements. These statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.



13

**INVESTIGATING
ACCOUNTANT'S
REPORT**

13 INVESTIGATING ACCOUNTANT'S REPORT

1 December 2016

The Directors
Roto-Gro International Limited
Level 11, 216 St Georges Terrace
Perth, WA, 6000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report ("Report") on Roto-Gro International Limited Historical and Pro Forma Historical Financial Information

Introduction

We have been engaged by Roto-Gro International Limited ("Roto-Gro" or the "Company") to report on the historical financial information of Roto-Gro for the period ended 30 June 2016 and pro forma financial information of the Company as at 30 June 2016 for inclusion in the prospectus ("Prospectus") of Roto-Gro dated on or about 1 December 2016 in connection with the a proposed capital raising, pursuant to which the Company is offering up to 18,000,000 ordinary Roto-Gro shares at an issue price of \$0.20 per share to raise up to \$3.6 million before costs (the "Offer") with a minimum subscription of 17,000,000 shares to raise a minimum of \$3.4 million before costs.

Expressions and terms defined in the Prospectus have the same meaning in this Report.

The future prospects of the Company, other than the preparation of the Pro Forma Historical Financial Information, assuming completion of the transactions summarised in Note 1 of the Appendix of this Report, are not addressed in this Report. This Report also does not address the rights attaching to the shares to be issued pursuant to this Prospectus, nor the risks associated with the investment.

Background

Roto-Gro is a public company which was incorporated on 27 May 2015 for the purpose of acquiring licences for the Roto-Gro System. The Company has entered into a conditional share sale agreement ("SSA") to acquire 80% of Roto-Gro World Wide Inc ("RWW"), which in turn has agreed to acquire:

- an exclusive worldwide license to manufacture, market and sell the Roto-Gro System, and any improvements thereto, for the purposes of the lawful production of medical cannabis; and
- a non-exclusive licence to manufacture, market and sell the Roto-Gro System, and any improvements thereto, for the purpose of the production of food, pharmaceuticals and herbal food additives,

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

together, the “Licences”.

Under the SSA, the Company has an option to acquire the remaining 20% of RWW.

Scope

Historical financial information

You have requested RSM Corporate Australia Pty Ltd (“RSM”) to review the following historical financial information of the Company included in the Prospectus at the Appendix to this Report:

- The statements of comprehensive income of Roto-Gro for the for the period from incorporation to 30 June 2016; and
- The statement of financial position of Roto-Gro as at 30 June 2016.

(together the “Historical Financial Information”).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the International Financial Reporting Standards and the Company’s adopted accounting policies.

The Historical Financial Information has been extracted from the financial statements of Roto-Gro for the period from incorporation to 30 June 2016, which were audited by RSM Australia Partners in accordance with International Auditing Standards. The audit report issued for the period ended 30 June 2016 was an unqualified opinion.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro forma historical financial information

You have requested RSM to review the pro forma historical consolidated statement of financial position as at 30 June 2016, referred to as “the Pro Forma Historical Financial Information”.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company after adjusting for the effects of the subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report. The stated basis of preparation is the recognition and measurement principles of the International Financial Reporting Standards applied to the Historical Financial Information and the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Note 1 of the Appendix to this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position.

Directors’ responsibility

The Directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- A consistency check of the application of the stated basis of preparation, to the Historical and Pro Forma Historical Financial Information;
- A review of the Company's and its auditors' work papers, accounting records and other documents;
- Enquiry of directors, management personnel and advisors;
- Consideration of subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report; and
- Performance of analytical procedures applied to the Pro Forma Historical Financial Information.

A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendix to this Report, and comprising:

- The statement of comprehensive income of Roto-Gro for period ended 30 June 2016; and
- The statement of financial position of Roto-Gro as at 30 June 2016,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix to this Report.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in the Appendix to this Report, and comprising the consolidated statements of financial position as at 30 June 2016 of the Company are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix of this Report.

Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Responsibility

RSM has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM has not authorised the issue of the Prospectus. Accordingly, RSM makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Disclosure of Interest

RSM does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. RSM will receive a professional fee for the preparation of this Report.

Yours faithfully

Andrew Gilmour
A J GILMOUR
Director

ROTO-GRO INTERNATIONAL LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	Period ended 30-Jun-16 Audited \$
Expenses	
Corporate and administration expenses	(371,933)
Travel expenses	(125,153)
Salaries and Wages	(69,228)
Office and occupancy expenses	(20,780)
Loss before income tax expense	(587,094)
Income tax expense	-
Loss after income tax expense for the period attributable to the owners of Roto-Gro International Limited	(587,094)
Other comprehensive income for the period, net of tax	-
Total comprehensive loss for the period attributable to the owners of Roto-Gro International Limited	(587,094)

Investors should note that past results are not a guarantee of future performance.

ROTO-GRO INTERNATIONAL LIMITED
CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Roto-Gro Audited 30-Jun-16 \$	Subsequent events Unaudited 30-Jun-16 \$	Pro forma adjustments Unaudited 30-Jun-16 \$	Pro forma Unaudited 30-Jun-16 \$
Assets					
Current assets					
Cash and cash equivalents	3	134,107	30,000	3,127,000	3,291,107
Trade and other receivables		2,002	-	-	2,002
Prepayments	4	6,353	-	2,741	9,094
Total current assets		<u>142,461</u>	<u>30,000</u>	<u>3,129,741</u>	<u>3,302,202</u>
Non-current assets					
Intangible assets	4	-	-	10,007,050	10,007,050
Total non-current assets		<u>-</u>	<u>-</u>	<u>10,007,050</u>	<u>10,007,050</u>
Total assets		<u>142,461</u>	<u>30,000</u>	<u>13,136,791</u>	<u>13,309,252</u>
Liabilities					
Current liabilities					
Trade and other payables	4	29,204	-	1,157	30,361
Borrowings	4	-	-	8,634	8,634
Total current liabilities		<u>29,204</u>	<u>-</u>	<u>9,791</u>	<u>38,996</u>
Total liabilities		<u>29,204</u>	<u>-</u>	<u>9,791</u>	<u>38,996</u>
Net assets		<u>113,257</u>	<u>30,000</u>	<u>13,127,000</u>	<u>13,270,257</u>
Equity					
Issued capital	5	700,351	30,000	11,127,000	11,857,351
Accumulated losses		(587,094)	-	-	(587,094)
Equity attributable to equity holders of the parent		<u>113,257</u>	<u>30,000</u>	<u>11,127,000</u>	<u>11,270,257</u>
Non-controlling interest	4	-	-	2,000,000	2,000,000
Total Equity		<u>113,257</u>	<u>30,000</u>	<u>13,127,000</u>	<u>13,270,257</u>

The unaudited consolidated pro forma statement of financial position represents the audited statement of financial position of the Company as at 30 June 2016 adjusted for the subsequent events and pro forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

1. Introduction

The financial information set out in this Appendix consists of the statement of financial position as at 30 June 2016 and the statement of comprehensive income for the period 30 June 2016 (“Historical Financial Information”) together with a pro forma consolidated statement of financial position reflecting the Directors’ pro forma adjustments (“Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been compiled by adjusting the consolidated statements of financial position of the Company for the impact of the following pro forma adjustments.

Adjustments adopted in compiling the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared by adjusting the Historical Financial Information to reflect the financial effects of the following subsequent events which have occurred in the period since 30 June 2016 and the date of this Report:

- (i) The issue of 300,000 ordinary Roto-Gro shares at \$0.10 each to raise \$30,000, on 2 August 2016 (“Seed Capital Raising”);

and the following pro forma transactions which are yet to occur, but are proposed to occur immediately before or following completion of the Offer:

- (ii) The issue of 18,000,000 ordinary Roto-Gro shares at \$0.20 each to raise \$3,600,000 before costs pursuant to the Offer;
- (iii) The issue of 40,000,000 ordinary Roto-Gro shares for the acquisition of an 80% interest in RWW;
- (iv) The issue of 30,000,000 performance rights in accordance with the SSA (“Performance Rights”) which vest into ordinary shares subject to performance targets being achieved, as follows:
- 5,000,000 Class A: cumulative sales of \$10 million no later than 16 months after the date of satisfaction of the SSA Conditions;
 - 7,000,000 Class B: cumulative sales of \$20 million no later than 28 months after the date of satisfaction of the SSA Conditions;
 - 9,000,000 Class C: cumulative sales of \$50 million no later than 40 months after the date of satisfaction of the SSA Conditions;
 - 9,000,000 Class D: cumulative sales of \$80 million no later than 60 months after the date of satisfaction of the SSA Conditions; and
- (v) The payment of cash costs related to the Offer estimated to be \$473,000.

The Pro Forma Historical Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001*.

2. Statement of significant accounting policies

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards (“IFRS”), adopted by the International Accounting Standards Board and the Corporations Act 2001.

The significant accounting policies that have been adopted in the preparation and presentation of the historical and the Pro forma Historical Financial Information are:

(b) Basis of measurement

The historical and pro forma financial information has been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

(c) Functional and presentation currency

The historical and pro forma financial information has been presented in Australian dollars which is the Company’s functional currency. The historical and pro forma financial information of RWW has been translated from US dollars to Australian Dollars in accordance with international financial reporting standards.

(d) Principles of consolidation

The historical and pro forma financial information incorporates the assets, liabilities and results of entities controlled by the Company at the end of the pro forma reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated entity have been eliminated in full on consolidation. Accounting policies of subsidiaries have been charged where necessary to ensure consistency with those adopted by the parent entity.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(f) Going concern

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(g) Revenue recognition (cont.)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment

(j) Intangible Assets

Intangible assets acquired, either individually or with a group of assets, are initially recognised and measured at cost. Intangible assets with finite lives are amortised over their estimated useful lives using the straight-line method based on the determined useful life of the asset.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously-recognised impairment loss, is recognised immediately in profit or loss.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Share-based payment transactions

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled ("vesting period").

(l) Share-based payment transactions (cont.)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The grant date fair value;
- (ii) The extent to which the vesting period has expired; and
- (iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

(m) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses

(n) Goods and services Tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

3. Cash and cash equivalents

	Note	Audited 30-Jun-16 \$	Unaudited Pro-forma 30-Jun-16 \$
Cash and cash equivalents		134,107	3,291,107
Roto-Gro cash and cash equivalents as at 30 June 2016			134,107
<i>Subsequent events are summarised as follows:</i>			
Proceeds from the Seed Capital Raising	1(i)		30,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Proceeds from the Offer pursuant to the Prospectus	1(ii)		3,600,000
Cash costs associated with the Offer pursuant to this Prospectus	1(v)		(473,000)
			<u>3,127,000</u>
Pro-forma cash and cash equivalents			<u>3,291,107</u>

The Prospectus has provision for subscriptions of between 16,000,000 and 18,000,000 shares to raise between \$3.4 million and \$3.6 million wherein the pro forma statement of financial position assumes the maximum \$3.6 million is raised. Should the minimum \$3.4 million be raised, the share issue cash costs would decrease to \$460,500 and the cash at bank balance would decrease by \$187,500 to \$3,103,607.

4. Acquisition of RWW

Pursuant to the Prospectus, the Company will acquire 80% of the voting shares of RWW, an unlisted company based in Mauritius which holds the Licences for the Roto-Gro System, in exchange for the Company's shares. The acquisition of RWW has been treated as an asset acquisition under *AASB 2 Share-based Payment* ("AASB 2").

The Company has elected to measure the non-controlling interests in the acquiree at fair value.

The pro forma carrying values of the identifiable assets and liabilities of RWW as at the date of acquisition were:

	Note	Pro forma net assets on acquisition 30-Jun-16 \$
Assets		
Prepayments		2,741
Intangible assets		10,007,050
Liabilities		
Trade and other payables		(1,157)
Borrowings		(8,634)
Total pro forma net assets		<u>10,000,000</u>
Non-controlling interest on acquisition		(2,000,000)
Total consideration of Acquisition	1(iii)	<u>8,000,000</u>

The Company issued 40,000,000 ordinary shares as consideration for the 80% interest in RWW. The fair value of the shares is calculated in accordance with AASB 2 with reference to the offer price of the shares of the Company under the Prospectus, which is \$0.20 per share. The fair value of the consideration given was therefore \$8,000,000.

4. Acquisition of RWW (cont.)

The basis of the acquisition price was determined based on the value of the Licences held by RWW and agreed in the negotiations between the vendors of RWW (“Vendors”) and Roto-Gro.

Performance Rights

In addition to the ordinary shares issued to acquire an 80% interest in RWW, the Company will issue 30,000,000 Performance Rights to the RWW shareholders. The pro forma fair value of the Performance Rights is \$0.20 per share totalling \$6,000,000 which assumes the required performance milestones will be achieved.

The Performance Rights vest into ordinary shares subject to performance targets being achieved as follows:

- 5,000,000 Class A: cumulative sales of \$10 million no later than 16 months after the date of satisfaction of the SSA Conditions;
- 7,000,000 Class B: cumulative sales of \$20 million no later than 28 months after the date of satisfaction of the SSA Conditions;
- 9,000,000 Class C: cumulative sales of \$50 million no later than 40 months after the date of satisfaction of the SSA Conditions; and
- 9,000,000 Class D: cumulative sales of \$80 million no later than 60 months after the date of satisfaction of the SSA Conditions;

The impact of the Performance Rights will be recognised, to the extent they vest, in the statement of financial performance over the vesting periods for the respective performance targets above.

For full terms of the Performance Rights refer to section 6.3 of the Prospectus.

5. Issued capital

	Note	Number of shares	\$
Roto-Gro issued share capital as at 30 June 2016		15,495,001	700,351
<i>Subsequent events are summarised as follows:</i>			
Shares issued in the Seed Capital Raising	1(i)	300,000	30,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Fully paid ordinary shares issued at \$0.20 pursuant to this Prospectus	1(ii)	18,000,000	3,600,000
Shares issued to acquire an 80% interest in RWW	1(iii)	40,000,000	8,000,000
Cash costs associated with the Offer pursuant to this Prospectus	1(v)	-	(473,000)
		58,000,000	11,157,000
Pro-forma issued share capital		73,795,001	11,857,351

The Prospectus has provision for subscriptions of between 16,000,000 and 18,000,000 shares to raise between \$3.4 million and \$3.6 million wherein the pro forma statement of financial position assumes the maximum \$3.6 million is raised. Should the minimum \$3.4 million be raised, the share issue cash costs would decrease by \$460,500 and the issued capital would decrease by \$187,500 to \$11,669,851

6. Related party disclosure

Following completion of the Offer, the Directors of Roto-Gro will be Michael Carli, Steve Brockhurst and David Palumbo. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 11.2 to 11.5 of the Prospectus.

7. Commitments and contingent liabilities

The company has no financial commitments or contingent liabilities as at 30 June 2016.

8. Controlled entities

Consolidated Entities	Country of Incorporation	Pro forma interest held
Roto-Gro International Limited	Australia	Parent
Roto-Gro World Wide Inc.	Mauritius	80%



14 TAXATION REPORT

14 TAXATION REPORT

Private & Confidential

The Directors
Roto-Gro International Limited

16 September 2016

Dear Sirs

TAXATION REPORT

In accordance with your instructions, the following Taxation Report has been prepared for inclusion in a Prospectus containing an offer of up to 18,000,000 fully paid ordinary shares ('Shares') in Roto-Gro International Limited ACN 606 066 059 ('Roto-Gro'). We have been provided with a copy of the Prospectus which discloses an offer price for the Shares set at A\$0.20 per share.

Expressions defined in the Glossary of the Prospectus have the same meaning in this Report.

1. GENERAL

Set out below is a general overview of the Australian taxation implications for investors who acquire the Shares on capital account. This report is based on legislation applicable at the time of its preparation. Given the complexity of taxation laws, it does not cover all possible implications for particular investors.

As the tax position of each investor may vary depending on their individual circumstances, this report should not be considered advice specific to any particular investor. Before lodging an application, each investor should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to taxation and any other consequences of investing in the Company.

2. TAXATION OF DIVIDENDS

The treatment of the dividends which are paid to investors will vary depending on whether or not the investor is an Australian resident or foreign resident. The taxation treatment will also vary depending on the extent to which any dividends carry a franking credit.

BDO Corporate Tax (WA) Pty Ltd ABN 31 124 158 756 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Tax (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Dividends Received By Australian Resident Shareholders

For Australian resident individuals, dividends on the Shares will be taxable income of the shareholder in the tax year in which they are paid (or deemed to be paid) to the shareholder.

If the dividend carries a franking credit (for imputed Australian corporate tax paid by Roto-Gro) then the dividend paid (or deemed to be paid) plus the franking credit will be included in the shareholder's taxable income and subject to tax at the shareholder's marginal tax rate. The shareholder will be entitled to offset the franking credit against tax payable by the shareholder if the shareholder is a qualifying person. A qualifying person is a shareholder who satisfies the holding period rule (by holding shares on which the dividend is 'at risk' for at least 45 days) and the related payments rule.

Individuals and complying superannuation funds are entitled to a refund of any part of the franking credits that exceed their tax payable.

Australian resident companies can convert excess franking credits to tax losses that can potentially be deductible against income in future years.

Unfranked dividends received by Australian resident shareholders will be taxable at the shareholder's marginal tax rate. For individuals, this tax rate may be up to 49% (including Medicare levy and temporary Budget Repair levy). For companies and complying superannuation funds, rates of tax are generally 30% and 15% respectively.

Dividends Received By Non-Resident Shareholders

Dividend withholding tax is not imposed on fully franked dividends paid to foreign shareholders.

It may be necessary for Roto-Gro to withhold tax from unfranked dividends paid to foreign shareholders and remit the tax to the Australian Taxation Office ('ATO').

Where unfranked dividends are paid to non-resident shareholders, and the unfranked dividend is not 'conduit foreign income', dividend withholding taxes must be deducted from the gross dividends paid. If the shareholder is a resident of a country that does not have a Double Tax Agreement ('DTA') with Australia then a 30% withholding tax rate will be applied to dividends paid to the non-resident shareholder. If the shareholder is a resident of a country that does have a DTA with Australia then the DTA will determine the maximum amount of withholding tax that can be imposed. DTA dividend withholding tax rates generally range from 0% to 15%.

3. DISPOSAL OF SHARES

As noted above, the following overview of Australian tax implications associated with disposal of Shares is confined to investors who hold their shares on capital account. Australian income

tax laws impose tax on capital gains ('CGT').

Persons who acquire Shares on revenue account or for a share trading purpose should seek independent professional advice as the issues are complex and the tax implications depend heavily on individual circumstances.

Disposal of Shares by Australian Resident Shareholders

Disposal of some or all of the Shares held on capital account by Australian resident investors will give rise to a CGT event and investors may become liable to pay CGT if they make a capital gain on disposal, or another CGT event occurs in respect of the Shares.

An investor will be taken to have acquired Shares when these are issued or transferred to the investor and to have disposed of the Shares when the investor transfers (or agrees to transfer) the Shares to another person. Taxation law also deems a disposal to have occurred in some other circumstances as well.

To calculate the amount of gain that is subject to tax initially requires the cost base of shares to be subtracted from the consideration (money or property) received from their disposal. If the calculation results in a negative number then a capital loss has been made.

Market value of shares at the time of their disposal may be substituted as consideration if the disposal is for nil or not undertaken on an arm's length dealing basis. In the case of Shares acquired pursuant to the Prospectus, the cost base for CGT purposes will generally be the amount paid for the Shares (A\$0.20 per share), plus incidental transaction costs (such as brokerage fees) incurred in selling the shares.

If the shareholder has also derived capital losses in the income year, or has accumulated capital losses that are deductible, then those losses may be offset against the capital gain derived from the disposal of the shares. A capital loss cannot be offset against ordinary taxable income but may be carried forward and offset against future capital gains. However, utilisation of carried forward capital losses is subject to various loss integrity tests. Consideration of these loss provisions is beyond the scope of this report.

For those investors that are companies, a net capital gain made on the disposal of Shares (after any capital losses are offset) must be included in the company's taxable income and subject to tax at the prevailing general corporate tax rate (30% or 28.5% for eligible small business companies).

For individual investors, the net capital gain remaining after permitted offsets and discounts is added to the investor's other taxable income and the total amount is then subject to tax at the investor's marginal tax rate.

Investors who are either individuals or complying superannuation funds (or another similar form of qualifying entity) and dispose of Shares held for at least 12 months may be entitled to

a CGT discount of 50% and 33 1/3% respectively. Companies are not entitled to any discount and special rules apply for trusts.

Where shares are held by a trust for at least 12 months (and the trust is not taxed as a company for Australian tax purposes) then a CGT discount of 50% is generally available. When the capital gain is distributed to the beneficiary by the trustee of the trust, the capital gain needs to be grossed up and the relevant beneficiary(s) will need to determine for themselves whether or not they are able to access the CGT discount provisions.

Disposal of Shares by Non-Australian Resident Shareholders

Foreign residents are only subject to CGT on the disposal of taxable Australian property. For tax purposes, Shares will generally only be considered taxable Australian property where the following conditions are satisfied:

- the investor owns an interest of 10% or more in Roto-Gro; and
- more than 50% of the value of Roto-Gro relates to assets that are taxable Australian real property such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be taxable Australian real property.

Based on information contained in the Prospectus regarding the planned operation of the business, Roto-Gro shares are unlikely to be taxable Australian property. As such, foreign residents that dispose of their shares are unlikely to be subject to CGT on any gains made in Australia. However, the circumstances of the Company should be reviewed by investors as at the time they dispose of some or all Shares.

4. TAX FILE NUMBER QUOTATION

It is not compulsory for Australian resident shareholders to provide Roto-Gro with details of their Tax File Number ('TFN') or Australian Business Number ('ABN'). However, a failure to quote a TFN or ABN to Roto-Gro will result in Roto-Gro being required to withhold and remit tax of 49% (47% for years ended following 30 June 2017 based on current legislation) to the ATO from unfranked dividends paid to the relevant shareholder.

5. GST & TRANSFER DUTY

No GST is applicable to the issue or transfer of the Shares given that, under current law, shares in a company are a financial supply for GST purposes.

Transfer duty will not be payable on Shares issued pursuant to the Prospectus.

Yours sincerely

BDO Corporate Tax (WA) Pty Ltd

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a series of loops and a final horizontal stroke.

Eng Hua Ng
Director



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ADDITIONAL INFORMATION

15 ADDITIONAL INFORMATION

15.1 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

15.2 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to taxation and any other consequences of investing in the Company.

A taxation report prepared by BDO is included in section 14.

15.3 Interests of experts and advisors

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer.

Barclay Wells has acted as Lead Manager to the Offer. The Company has agreed to pay Barclay Wells the fees described in section 11.11 for these services. Barclay Wells has not provided other professional services to the Company during the last 2 years.

BDO has prepared the Taxation Report in this Prospectus. In respect of this work, the Company has paid or will pay approximately \$2,500 (ex GST) for these services. Further amounts may be paid to BDO for other work in accordance with its normal time based charges. BDO has not provided other professional services to the Company during the last 2 years.

John Christie has acted as Canadian legal counsel and prepared the Canadian Legal Opinion in this Prospectus. The Company has paid approximately CAD\$1,500 to Mr Christie for this service up until the date of this Prospectus. Mr Christie has not provided other professional services to the Company during the last 2 years.

Chumak & Company LLP has acted as Canadian legal counsel and prepared the Intellectual Property Report in this Prospectus. The Company has paid approximately \$24,559 to Chumak & Company LLP for these services up until the date of this Prospectus. Further amounts may be paid to Chumak & Company LLP for other work in accordance with its normal time based charges. Chumak & Company LLP has not provided other professional services to the Company during the last 2 years.

Belinda Lonsdale has acted as Australian legal counsel and prepared the Australian Legal Opinion in this Prospectus. The Company has paid \$5,000 (ex GST) to Ms Lonsdale for this service up until the date of this Prospectus. Ms Lonsdale has not provided other professional services to the Company during the last 2 years.

Mills Oakley has acted as legal adviser to the Company in relation to the Offer and the Company's application to list on ASX. The Company has paid, or will pay approximately \$60,000 to Mills Oakley for these services up until the Prospectus date. Further amounts may be paid to Mills Oakley for other work in accordance with its normal time based charges. Mills Oakley has not provided other professional services to the Company during the last 2 years.

Mining Corporate has provided company secretarial and corporate advisory services to the Company in relation to the Company's application to list on ASX. In respect of this work, the Company has paid a sum of \$20,398 (exclusive of GST) for these services. The Company has agreed to pay Mining Corporate the fees described in section 11.3(d) for company secretary and corporate advisory services for a period of 24 months from 7 June 2016.

RSM Australia Partners has acted as the Company's auditor since incorporation and has been paid \$3,000 over the last 2 years for those services.

RSM Corporate Australia Pty Ltd (RSM) has prepared the Investigating Accountant's Report in this Prospectus. In respect of this work, the Company has paid or will pay approximately \$7,500 for these services. Further amounts may be paid to RSM for other work in accordance with its normal time based charges. RSM has not provided other professional services to the Company during the last 2 years.

15.5 Consents

Each of the persons referred to in this section:

- a. has given and has not, before the date of lodgment of this Prospectus with ASIC withdrawn their written consent:
 - i. to be named in the Prospectus in the form and context which it is named; and
 - ii. where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
- b. has not caused or authorised the issue of this Prospectus;
- c. has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- d. to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

Name	Role	Statement/Report
Barclay Wells	Lead Manager	Nil
BDO	Taxation advice	Taxation Report, section 14
John Christie	Canadian counsel	Canadian Legal Opinion, section 7
Chumak & Company LLP	Intellectual Property counsel	Intellectual Property Report, section 8
Mills Oakley	Solicitors to the Offer	Nil
Link Market Services Limited	Share Registry	Nil
Belinda Lonsdale	Australian counsel	Australian Legal Opinion, section 7
RSM Bird Cameron	Investigating Accountant	Investigating Accountants' Report, section 13
RSM Australia Partners	Auditors	Nil

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DIRECTORS' RESPONSIBILITY AND CONSENT

16 DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgment of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgment of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 5 December 2016



Signed for and on behalf of
Roto-Gro International Limited by
David Palumbo
Director

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GLOSSARY



17 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

AEDT	Australian Eastern Daylight Time
Applicant	a person who submits a valid Application Form pursuant to this Prospectus.
Application	a valid application made on an Application Form to subscribe for Shares pursuant to this Prospectus.
Application Form	the application form attached to this Prospectus.
ASIC	the Australian Securities & Investments Commission.
ASPL	means ASX Settlement Pty Ltd.
ASX	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
AUD\$ or \$	Australian dollars unless otherwise stated.
Board	the board of Directors of the Company.
CAD\$	Canadian dollars.
CHESS	means Clearing House Electronic Subregister System.
Closing Date	the closing date for receipt of Application Forms under this Prospectus, estimated to be 5:00pm AEDT on 23 December 2016 or an amended time as set by the Board.
Company or Roto-Gro	Roto-Gro International Limited (ACN 606 066 059).

Constitution	the constitution of the Company.
Corporations Act	the Corporations Act 2001 (Cth).
Director	a director of the Company and, where the context requires, the proposed Directors.
Licences	has the meaning set out at section 5.1.
Listing Rules	the listing rules of the ASX.
OEM Agreement	means Original Equipment Manufacturer Supply agreement dated 14 January 2016.
Offer	the offer for Shares made under this Prospectus.
Official List	the official list of the ASX.
Opening Date	5 December 2016.
Products	has the meaning set out at section 5.1.
Prospectus	this prospectus and includes the electronic prospectus.
Roto-Gro IP	Roto-Gro IP Inc, a company incorporated pursuant to the laws of the Province of Ontario Canada.
Roto-Gro System	has the meaning given in section 3 of this Prospectus.
Roto-Gro Tech	Roto-Gro Technologies Inc, a company incorporated pursuant to the laws of the Province of Ontario Canada.
RWW	Roto-Gro World Wide Inc, a company incorporated pursuant to the laws of Mauritius.

Share a fully paid ordinary share in the Company.

SSA has the meaning set out at section 6.1

Shareholder the registered holder of Shares in the Company.

Share Registry Link Market Services Limited.

Vendors The sole legal and beneficial shareholders of 80% of RWW.

WST Western Standard Time, Perth, Western Australia.
