

Supplementary Prospectus

1 Important information

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the replacement prospectus dated 5 December 2016 (**Prospectus**) issued by Roto-Gro International Limited (**Company**). This is the first supplementary prospectus lodged with ASIC in relation to the Offer.

This Supplementary Prospectus is dated 19 December 2016 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that day.

Neither ASIC, ASX nor any of their respective officers take any responsibility as to the contents of this Supplementary Prospectus or the merits of the investment to which this Prospectus relates.

Other than as set out below, all details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website at www.rotogro.com.au.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisors without delay.

2 Reasons for the Supplementary Prospectus

Since lodgement of the Prospectus, the Company has entered into a definitive option agreement (**Option Agreement**) to acquire the remaining 20% of RWW and intends to exercise the option upon certain conditions including the receipt of a conditional admission letter from ASX.

This Supplementary Prospectus:

- (a) provides disclosure as to the material terms of the Option Agreement thereby updating section 6 of the Prospectus and consequential changes to section 4 (pages 13, 14 and 24) and section 5.1 and 5.2 (page 30) in respect of the proposed Option exercise;
- (b) amends and updates the capital structure referred to at sections 2 (page 8), 4 (page 26), 5.16 (page 49) and 11.5 (pages 115 to 116) of the Prospectus to include the 10,000,000 Shares proposed to be issued upon exercise of the Option; and
- (c) replaces the IAR at section 13 of the Prospectus.

3 Option Agreement

3.1 Section 6 of the Prospectus is amended to include the following content:

Option Agreement

On 8 December 2016 the Company entered into an option agreement with Roto-Gro International Inc for the purpose of acquiring the remaining 20% interest in RWW (**Option Agreement**).

The key terms of the Option Agreement are as follows:

- (a) Subject to the following conditions, in consideration of the payment to Roto-Gro International Inc of the Option Fee (\$10), Roto-Gro International Inc grants the Company the sole and exclusive option to purchase 20% of the issued capital of RWW for 10,000,000 Shares:
 - (i) the Company being granted conditional approval to be listed on the official list of the ASX;
 - (ii) all third party approvals having obtained, including those relating to Licences; and
 - (iii) no breach of warranty by RWW(each a **Condition** and collectively, the **Conditions**).
- (b) The Option Agreement may be terminated in the event that the Conditions are not satisfied or waived by 31 January 2017.
- (c) Roto-Gro International Inc acknowledges that the Consideration Shares may be subject to escrow restrictions imposed by the ASX and Roto-Gro International Inc will, on demand by the Company, enter into an escrow agreement with respect to the Consideration Shares;
- (d) The Option Agreement contains standard representations and warranties typical of an agreement of this nature.
- (e) The Option Agreement is subject to the laws of Western Australia and the parties irrevocably submit to the non-exclusion jurisdiction of the Supreme Court of Western Australia.

3.2 Section 4 (page 13) of the Prospectus "Who is Roto-Gro and what does it do" is amended to insert the following text:

- (a) at the end of paragraph 1:

Subject to the conditions set out in section 3(a) of the Supplementary Prospectus, the Company intends to exercise the option prior to listing.
- (b) at the end of paragraph 2:

The consideration under the Option Agreement is 10,000,000 Shares.

3.3 Section 4 (page 24) "What material contracts have been entered into?" of the Prospectus is amended to include the following text:

Option Agreement dated 8 December 2016, the consideration for which is 10,000,000 Shares.

3.4 Section 5.1 of the Prospectus is amended by replacing the second paragraph with:

The Company entered into a conditional share sale agreement (SSA) to acquire an initial 80% interest in Roto-Gro World Wide Inc (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 which it intends to exercise prior to listing. A summary of the terms of the SSA is set out in section 6.1 of the Prospectus. A summary of the terms of the Option Agreement is set out in section 3 of this Replacement Prospectus.

3.5 Section 5.2 of the Prospectus is amended to replace 80% with 100%.

4 Capital Structure

Sections 2 (page 8), 4 (page 26), 5.16 (page 49) and 11.5 (pages 115 to 116) of the Prospectus are to the extent they refer to capital structure, amended and replaced by the capital structure information set out below:

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	50,000,000	50,000,000
Shares offered under this Prospectus at \$0.20	17,000,000	18,000,000
TOTAL SHARES	82,795,001	83,795,001
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

5 Investigating Accountants Report

The Investigating Accountants Report starts on the next page of the Supplementary Prospectus.

RSM Corporate Australia Pty Ltd

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16 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 supplementary prospectus ("Prospectus") of Roto-Gro dated on or about 19 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") and a definitive option agreement to acquire 100% 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”

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 Gilmore
A J GILMOUR
Director

Appendix – Historical and Pro Forma Financial Information

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.

Appendix – Historical and Pro Forma Financial Information

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		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		29,204	-	1,157	30,361
Borrowings		-	-	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	13,127,000	13,857,351
Accumulated losses		(587,094)	-	-	(587,094)
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.

Appendix – 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 50,000,000 ordinary Roto-Gro shares for the acquisition of an 100% 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.

Appendix – Historical and Pro Forma Financial Information

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.

Appendix – Historical and Pro Forma Financial Information

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

Appendix – Historical and Pro Forma Financial Information

(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.

Appendix – Historical and Pro Forma Financial Information

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)
			3,127,000
Pro-forma cash and cash equivalents			3,291,107

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 100% 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 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		10,000,000
Total consideration of Acquisition	1(iii)	10,000,000

The Company will issue 50,000,000 ordinary shares as consideration for the 100% 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 \$10,000,000.

Appendix – Historical and Pro Forma Financial Information

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 a 100% 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 a 100% interest in RWW	1(iii)	50,000,000	10,000,000
Cash costs associated with the Offer pursuant to this Prospectus	1(v)	-	(473,000)
		68,000,000	13,157,000
Pro-forma issued share capital		83,795,001	13,857,351

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

Appendix – Historical and Pro Forma Financial Information

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	100%

6 Consents

Each of the persons referred to in this section:

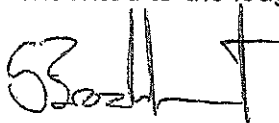
- (a) has given and has not, before the date of lodgement of this Supplementary Prospectus with ASIC withdrawn their written consent:
 - (i) to be named in this Supplementary Prospectus in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this Supplementary Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Supplementary Prospectus;
- (b) has not caused or authorised the issue of this Supplementary Prospectus;
- (c) has not made any statement in this Supplementary Prospectus or any statement on which a statement in this Supplementary Prospectus is based, other than specified below;
- (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 Supplementary Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Supplementary Prospectus with the consent of that person.

Name	Role
Mills Oakley	Lawyers
RSM Bird Cameron	Investigating Accountant's Report

7 Directors' Authorisation

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.



Stephen Brockhurst

Director

Signed for and on behalf of

Roto-Gro International Limited