

Notice of Annual General Meeting

The Annual General Meeting of Roto-Gro International Limited will be held at level 8, 99 St Georges Terrace, Perth on 28 February 2019 at 8.30am (WST).

This notice of annual general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Shareholders should carefully consider the Independent Expert's Report prepared by BDO for the purposes of the Shareholder approval required under Listing Rule 10.1. BDO has determined that the Perishable Acquisition is not fair but reasonable to the Company's Shareholders whose votes are not to be disregarded.

Please contact the Company Secretary on +61 8 9481 0389 or david@miningcorporate.com.au if you wish to discuss any matter concerning the Meeting.

Roto-Gro International Limited ACN 606 066 059

Notice of General Meeting

Notice is hereby given that the annual general meeting of the Shareholders of Roto-Gro International Limited will be held at level 8, 99 St Georges Terrace, Perth on 28 February 2019 at 8.30am (Western Standard Time) (Meeting).

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 8.30am on 26 February 2019.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in SCHEDULE 1 of the Explanatory Memorandum.

Agenda

ANNUAL REPORT

To receive and consider the financial statements of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2018.

RESOLUTION 1 - REMUNERATION REPORT (NON-BINDING)

To consider, and if thought fit, to pass the following as a non-binding resolution:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as set out in the Directors' Report for the financial year ended on 30 June 2018."

A voting exclusion statement is set out below.

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MICHAEL SLATER

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That Michael Slater, who retires by rotation in accordance with article 12.13 of the Company's Constitution and for all other purposes, offers himself for reelection, be re-elected as a Director."

RESOLUTION 3 APPOINTMENT OF NATHAN LUDE AS DIRECTOR

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That in accordance with article 12.8 of the Company's Constitution and for all other purposes, Nathan Lude be appointed a Director of the Company."

RESOLUTION 4 CREATION OF PERFORMANCE SHARES

To consider, and if thought fit, to pass with or without amendment the following as a special resolution:

"That in accordance with section 246B of the Corporations Act, article 3.1 of the Constitution and for all other purposes, the Company be authorised to create a new class of securities (**Performance Shares**) on the terms and conditions in schedules SCHEDULE 2 and SCHEDULE 3 to the Explanatory Memorandum."

RESOLUTION 5 - ISSUE OF SECURITIES - PERISHABLE ACQUISITION TO PERISHABLE VENDORS

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That subject to Shareholders approving Resolution 4 and for the purposes of section 246B of the Corporations Act, Listing Rules 10.1 and 10.11, article 3.1 of the Company's Constitution and for all other purposes, Shareholders approve the Perishable Acquisition and issue of:

- (i) 10,000,000 fully paid ordinary shares in the capital of the Company; and
- (ii) 20,000,000 Performance Shares,

by the Company to the Perishable Vendors or their nominees on the terms set out in the Explanatory Memorandum."

BDO has concluded that the Perishable Acquisition is not fair but reasonable to the Company's Shareholders whose votes are not to be disregarded.

A voting exclusion statement is set out below.

RESOLUTION 6 - RATIFICATION OF PRIOR SECURITIES ISSUE TO VALENS

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,250,000 fully paid ordinary shares in the capital of the Company to Valens GroWorks Corp., on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 7 - ISSUE OF SHARES TO VALENS

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 16,650,000 fully paid ordinary shares in the capital of the Company to ValensGroWorks Corp, or its nominees on the terms and conditions in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 8 - RATIFICATION OF PRIOR SECURITIES ISSUE TO CANNABIS LICENCE ADVISORS

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of:

- (a) 90,000 fully paid ordinary shares in the capital of the Company to Allyson Taylor Partners Inc; and
- (b) 90,000 fully paid ordinary shares in the capital of the Company to Tectonic Advisory Partners,

on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 9 - ISSUE OF SHARES TO THE CANNABIS LICENCE ADVISORS

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of:

- (a) 666,000 fully paid ordinary shares in the capital of the Company to Allyson Taylor Partners Inc; and
- (b) 666,000 fully paid ordinary shares in the capital of the Company to Tectonic Advisory Partners,

or their nominees, on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 10 - RATIFICATION OF PRIOR SECURITIES ISSUE TO HANSON VENDORS

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 fully paid ordinary shares in the capital of the Company to the Hanson Vendors, on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 11 - ISSUE OF PERFORMANCE SHARES TO HANSON VENDORS

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That subject to Shareholders approving Resolution 4 and for the purposes of section 246B of the Corporations Act, Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 5,000,000 Performance Shares to the Hanson Vendors, or their nominees on the terms and conditions in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 12 - RATIFICATION OF PRIOR SECURITIES ISSUE - TRANCHE 1 OF PLACEMENT

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 6,581,302 Shares on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 13 - RATIFICATION OF PRIOR SECURITIES ISSUE - TRANCHE 2 OF PLACEMENT

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 5,418,698 Shares on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 14 - ISSUE OF BROKER OPTIONS

To consider, and if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 8,800,000 Options (exercisable at \$0.65 on or before 2 years from issue) to Brokers or their nominees on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 15 - APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass the following as a special resolution:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

A voting exclusion statement is set out below.

RESOLUTION 16 - ISSUE OF 15,000,000 SHARES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 15,000,000 fully paid ordinary shares in the capital of the Company on the terms and conditions in the Explanatory Memorandum."

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Corporations Act

The Corporations Act prohibits votes being cast (in any capacity) on the following resolutions by any of the following persons:

Resolution		Persons Excluded from Voting
Resolution Remuneration (Non-Binding)	1	A vote on this Resolution must not be cast (in any capacity) by or on behalf of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair of the Meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

However, a person is not prevented from casting a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a related party or associate of a kind referred to above.

Listing Rule 14.11

Under Listing Rule 14.11, the Company will disregard any votes cast on the following Resolutions by the following persons:

Resolution	Persons excluded from voting
Resolution 5 - Perishable Acquisition to related parties	The Perishable Vendors or their associates.
Resolution 6 - Ratification of issue to Valens	Valens or its associates
Resolution 7 - Issue of Shares to Valens	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of

	*ordinary securities in the entity), or an associate of that person.	
Resolution 8 - Ratification of issue to Cannabis Licence Advisors	Cannabis Licence Advisors or their associates.	
Resolution 9 - Issue of Shares to Cannabis Licence Advisors	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of *ordinary securities in the entity), or an associate of that person.	
Resolution 10 - Ratification of Share issue to Hanson Vendors	Hanson Vendors or their associates.	
Resolution 11 -Issue of Performance Shares to Hanson Vendors	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of *ordinary securities in the entity), or an associate of that person.	
Resolution 12 - Ratification of Tranche 1 of Placement	Persons who participated in the issue or their associates.	
Resolution 13 - Ratification of Tranche 2 of Placement	Persons who participated in the issue or their associates.	
Resolution 14 - Issue of Securities to Brokers	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of *ordinary securities in the entity), or an associate of that person.	
Resolution 15 - Approval of 10% Facility	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of *ordinary securities in the entity), or an associate of that person.	
Resolution 16 - Issue of Shares	Persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue	

(except a benefit solely by reason of being a holder of *ordinary securities in the entity), or an associate of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board of Directors

David Palumbo Roto-Gro International Limited 30 January 2019

Roto-Gro International Limited ACN 606 066 059

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at level 8, 99 St Georges Terrace, Perth on 28 February 2018 at 8.30am. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

ANNUAL REPORT	
RESOLUTION 1	- REMUNERATION REPORT (NON-BINDING)
RESOLUTION 2	- RE-ELECTION OF DIRECTOR - MICHAEL SLATER 1
RESOLUTION 3	APPOINTMENT OF NATHAN LUDE AS DIRECTOR
RESOLUTION 4	CREATION OF PERFORMANCE SHARES
RESOLUTION 5 VENDORS	- ISSUE OF SECURITIES - PERISHABLE ACQUISITION TO PERISHABLE 2
RESOLUTION 6	- RATIFICATION OF PRIOR SECURITIES ISSUE TO VALENS 2
RESOLUTION 7	- ISSUE OF SHARES TO VALENS
RESOLUTION 8 ADVISORS	- RATIFICATION OF PRIOR SECURITIES ISSUE TO CANNABIS LICENCE 3
RESOLUTION 9	- ISSUE OF SHARES TO THE CANNABIS LICENCE ADVISORS 3
RESOLUTION 10	- RATIFICATION OF PRIOR SECURITIES ISSUE TO HANSON VENDORS 4
RESOLUTION 11	- ISSUE OF PERFORMANCE SHARES TO HANSON VENDORS 4
RESOLUTION 12	- RATIFICATION OF PRIOR SECURITIES ISSUE - TRANCHE 1 OF PLACEMENT4
RESOLUTION 13	- RATIFICATION OF PRIOR SECURITIES ISSUE - TRANCHE 2 OF PLACEMENT4
RESOLUTION 14	- ISSUE OF BROKER OPTIONS 5
RESOLUTION 15	- APPROVAL OF 10% PLACEMENT FACILITY 5
RESOLUTION 16	- ISSUE OF 15,000,000 SHARES 5
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A Proxy Form is located at the end of Explanatory Memorandum.

Please contact the Link Market Services, the Company's share registry on 1300 554 474 (international +61 1300 554 474) or the Company Secretary on +61 8 9481 0389 or david@miningcorporate.com.au if you wish to discuss any matter concerning the Meeting.

1 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1.1 Proxies

All Shareholders are invited and encouraged to attend the Meeting. If a Shareholder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form. The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 26 February 2019. Any Proxy Form received after that time will not be valid for the Meeting.

A Proxy Form may be lodged in the following ways:

By Mail Roto-Gro International Limited

c/- Link Market Services Limited

Locked Bag A14

Sydney South, NSW 1235

By Facsimile +61 2 9287 0309

By Hand Link Market Services Limited

1A Homebush Bay Drive, Rhodes NSW 2138

By Email <u>david@miningcorporate.com.au</u>

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

1.2 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company

and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

An appointment of corporate representative form is available from the website of the Company's share registry (Link Market Services).

1.3 Eligibility to vote

The Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 4.00pm (WST) on 26 February 2019.

2 ANNUAL REPORT

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report for the financial year ended on 30 June 2018 which is available on the ASX platform at www.asx.com.au; and
- (b) ask questions about or make comment on the management of the Company.

The chair of the Meeting will allow reasonable opportunity for the Shareholders as a whole at the Meeting to ask the auditor or the auditor's representative questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Company's auditor about:

- (a) the content of the auditor's report to be considered at the Meeting; and
- (b) the conduct of the audit of the annual financial report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

3 RESOLUTION 1 - REMUNERATION REPORT

3.1 Introduction

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended on 30 June 2018.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

3.2 Voting consequences

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that a further meeting is held at which all of the Company's Directors who were directors when the resolution to make the directors report considered at the later annual general meeting was passed (other than the Managing Director) must go up for re-election (**Spill Resolution**).

If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were directors of the Company when the resolution to make the directors' report considered at the second annual general meeting was passed, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for reelection at the Spill Meeting.

Voting on Resolution 1 will be determined by a poll at the Meeting.

4 RESOLUTIONS 2 AND 3 - ELECTION OF DIRECTORS

4.1 Introduction

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer, and that a director appointed to fill a casual vacancy must also not hold office (without re-election) past the company's next annual general meeting.

Clauses 12.11 and 12.17 of the Company's Constitution requires that one-third of the Directors retire by rotation at each annual general meeting and that Directors appointed by the Board hold office only until the next annual general meeting.

4.2 Michael Slater

In accordance with clause 12 of the Company's Constitution, Michael Slater retires from office at this Meeting and offers himself for re-election.

Details of Michael Slater's qualifications and experience are set out in the Company's 2018 Annual Report.

4.3 Nathan Lude

In accordance with clause 12.8 of the Company's Constitution, Nathan Lude offers himself for election as a Director of the Company.

Mr Lude has broad commercial business experience which enables him to provide expert knowledge on strategy, business growth and development. Mr Lude has direct involvement in the agriculture industry and the globalisation of product development and distribution channels for agricultural products. Mr Lude was successful in attaining multiple Australian Federal Government grant funds under the Accelerating Commercialisation program for an Australian agriculture company and has previously raised capital for the acquisition of sizeable Australian agricultural businesses.

Mr Lude is the sole director of Advantage Management Pty Limited. Bruce Lane and Bevan Tarrett, Freshero Pty Limited's chief operating officer and chief financial officer respectively, are employees of, or consult to, Advantage Management Pty Limited. See section 7.5(b) for further information on Freshero.

4.4 Directors' recommendation

The Board (in the case of Resolution 2 excluding Michael Slater) recommends that Shareholders vote in favour of Resolutions 2 and 3.

5 INTRODUCTION TO RESOLUTIONS 4 TO 16

The Company has since its 2017 annual general meeting, entered into the following transactions:

- (a) The acquisition of the remaining intellectual property rights for Roto-Gro machines that it did not own and the manufacturing business through the issue of 30 million equity securities announced on 6 August 2018 (Perishable Acquisition).
- (b) The acquisition of a Canadian cannabis licence through the issue of 18,900,000 Shares and total payments of C\$2,000,000 announced on 29 October 2018 (Cannabis Licence Acquisition), with a further 1,512,000 Shares to be issued to advisors in relation to the transaction.
- (c) The acquisition by the Company's wholly owned subsidiary Global Fertigation Solutions Inc (GFS), of the fertigation assets and ongoing contracts (Fertigation Business) of Hanson's Water Treatment Inc. through the issue of 5,000,000 Shares and 5,000,000 Performance Shares announced on 17 May 2018 (as varied on 31 August 2018) (GFS Acquisition).
- (d) Raising \$4.56 million through the issue of 12 million Shares first announced on 20 June 2018 (**Placement**).

Details of each transaction are set out below.

The Company also seeks Shareholder approval to issue up to 15 million Shares at an issue price no less than 80% of the 5 day VWAP for Shares (**Placement Facility**) within 3 months of the Meeting, and up to 10% of the Company's issued Share capital in accordance with Listing Rule 7.1A (**10% Facility**).

Following is a table that sets out the respective security issues, both following the issue of securities for which Shareholder approval/ratification is sought at the Meeting and on a fully diluted basis:

	Following Meeting		Fully diluted ¹		
	Number	%	Number	%	
Existing (excluding securities the subject of Resolutions)					
Shares	86,261,501	52.75	85,886,501	38.25	
Converting securities ²	28,200,000	-	28,200,000	12.50	
Perishable Acquisition (Reso	lution 5)				
Shares	10,000,000	6.11	10,000,000	4.43	
Performance Shares	20,000,000	-	20,000,000	8.87	
Cannabis Licence Acquisition (Resolutions 6 to 9)					
Valens GroWorks	18,900,000	11.56	18,900,000	8.38	

Advisors	1,512,000	0.92	1,512,000	0.67
GFS Acquisition (Resolutions	10 and 1102)			
Shares	5,000,000	3.06	5,000,000	2.22
Performance Shares	5,000,000	-	5,000,000	2.22
Placement (Resolutions 12 ar	nd 13)			
Tranche 1	6,581,302	4.02	6,581,302	2.92
Tranche 2	5,418,698	3.31	5,418,698	2.40
Broker Options (Resolution 14)	8,800,000	-	8,000,000	3.90
10% Facility (Resolution 15) ³	14,367,350	9.09	14,367,350	6.59
Placement Facility (Resolution 16) ³	15,000,000	9.17	15,000,000	6.65
Total number of Shares to be on issue	163,540,851	100	219,240,851	100

¹ On a fully diluted basis and assuming all Resolutions are passed, Shares issued under the Placement Facility and 10% Facility, and Performance Right milestones are satisfied/Options exercised.

- (a) 103,216,501 Shares;
- (b) 25,000,000 Performance Rights converting to Shares in accordance with the terms set out in the Company's replacement prospectus dated 5 December 2016;
- (c) 2,950,000 Options exercisable at \$0.65 on or before 15 January 2020; and
- (d) 250,000 Options exercisable at \$0.70 on or before 30 June 2019.

Listing Rule 7.1 limits the number of securities a company can issue in a 12 month period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders. Listing Rule 10.11 prevents a company from issuing securities to related parties without prior shareholder approval.

² The Company currently has the following securities on issue:

³ This assumes that 15 million Shares are issued under the Placement Facility before any Shares are issued under the 15% Facility. The Company is seeking prior Shareholder approval to issue these Shares, and there is no certainty these Shares will be issued.

Resolutions 4 to 14 seek Shareholder approval to complete or ratify the above issues. Resolutions 15 and 16 seeks Shareholder approval to issue securities under 10% and 15% exceptions to Listing Rule 7.1 respectively.

The effect of passing Resolutions 4 to 16 will be to refresh the Company's 15% capacity and allow the Directors to issue securities in accordance with the Resolution without those securities being included in the 15% limit.

The chairman intends to exercise all undirected proxies in favour of all Resolutions.

6 RESOLUTION 4- PERFORMANCE SHARES

The Company has, under both the Perishable Acquisition and GFS Acquisition, agreed to issue shares which convert to fully paid ordinary shares upon certain milestones occurring within specified periods (**Performance Shares**).

A company with a single class of shares on issue which proposes to issue new shares with different rights to its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Under article 2.1 of the Constitution and subject to the Corporations Act, the Listing Rules and Constitution, the Company may issue unissued shares in the Company on any terms, at any time and for any consideration as the Directors resolve.

Section 246B of the Corporations Act and article 3.1 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at the meeting of the members holding shares in that class; or
- (b) with the written consent of members who are in titled to at least 75% of the vote in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of securities on the terms in SCHEDULE 2 and SCHEDULE 3.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

7 RESOLUTION 5 - PERISHABLE ACQUISITION

7.1 Introduction

On 6 August 2018 the Company announced the acquisition of Roto-Gro Inc (Perishable Acquisition), which owns:

- (a) Roto-Gro IP Inc (Roto-Gro IP), which holds all intellectual property including patents and patents pending in the stackable rotary hydroponic garden space, and proprietary iGrow® growing management software; and
- (b) Roto-Gro Technologies Inc (Roto-Gro Tech), which owns the stock, plant & equipment to manufacture the Roto-Gro systems; and
- (c) Roto-Gro International Inc, which is the head lessee of 140 Healy Road, Bolton, Ontaria. Roto-Gro International Inc has leased these premises to the Company, which operates its business from,

(together the Target Group).

The Company acquired the exclusive lawful cannabis rights from Roto-Gro Technologies Inc prior to the Company's IPO in 2017 (see section 7.2 for details). The purchase of Roto-Gro Inc gives the Company ownership and control of exclusive rights to all orders and growing ownership opportunities in perishable foods, pharmaceuticals, nutraceuticals and all other growing purposes; and is in addition to the Company's lawful cannabis rights.

Subject to Shareholder approval, the Company has agreed to acquisition consideration of:

- (a) 10 million Shares; and
- (b) subject to adjustment (see below), up to 20 million Performance Shares which convert to Shares in two equal tranches of 10 million Shares on the achievement of A\$5 million in revenue and A\$10 million (cumulative) in revenue generated by the Roto-Gro Group (including RotoGro World Wide (Canada) Inc. and the Target Group) from orders in the perishable foods space (within 18 and 30 months respectively).

(together the Perishable Acquisition Consideration).

Under the terms of the acquisition, 1 million Performance Shares will be withheld from issue at completion, pending preparation of a completion set of accounts for the Target Group. The number of Performance Shares to be issued will be reduced at a deemed value of \$0.40 per Performance Share if, and to the extent that, the Target Group's liabilities exceed its assets as set out in the completion accounts. The Company will, in the event the completion accounts are not prepared within one month of completion, seek a waiver from ASX to extend the one month period required by Listing Rule 10.13.3. Further shareholder approval for the issue will be sought if a waiver is not granted.

Completion is conditional upon the following being satisfied by 28 February 2019, or such later date as the parties agree.

- (a) Approval by Shareholders for the issue of securities for the purposes of Listing Rule 10.1.
- (b) The Company completing due diligence on the Target Group to its sole satisfaction.

- (c) The Independent Expert opining that the acquisition is reasonable for Shareholders.
- (d) There being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of Roto-Gro Inc, or any event reasonably likely to result in such a material adverse change.
- (e) There is no material breach, and there are no facts or circumstances that may reasonably be expected to lead to a material breach, of any warranties before completion.
- (f) ASX approving the terms of the Performance Shares.

The Perishable Vendors consist James and Sherry Gallant, their son, Mr Gallant's parents and two other persons (further details of which are in section 7.9). Mr James Gallant founded Roto-Gro Inc. and invented the Roto-Gro system, and on 1 June 2018 was appointed the Group's Customer Success and Facility Optimization Officer. Mr Gallant's duties include customer facility design and setups, customer buildouts and installation support, crop and strain selection and nutrient management planning. Mr Gallant is paid C\$15,000 per month.

James and Sherry Gallant have a relevant interest in 7,500,000 Shares, or approximately 7.27% of the Company's current issued share capital. Assuming no other Shares are issued (including under Resolutions 7, 9, 14, 15 and 16) and the Performance Shares to be issued to the Perishable Vendors vest into ordinary Shares, James and Sherry Gallant will have a relevant interest in 13.14% of the Company's issued Shares.

Michael Carli, a Director, has acted as James Gallant's patent, trademark and intellectual property lawyer for approximately 20 years and was a director of Roto-Gro IP and Roto-Gro Tech until 7 May 2016. Mr Carli has never held shares (whether directly or otherwise) in Roto-Gro Inc, Roto-Gro IP or Roto-Gro Tech. Mr Carli has never controlled any of these entities and therefore they are not considered a related party of the Company.

When first announced on 6 August 2018 the share sale and purchase agreement to acquire 100% of Roto-Gro Inc's issued shares was between the Company and James and Sherry Gallant. On 6 November 2018 the Company was advised by Roto-Gro Inc that its shareholders had changed, and that in addition to James and Sherry Gallant (who then held 32.5%), Roto-Gro Inc had other shareholders (consisting members of the Gallant family and two other unrelated parties). Each of these shareholders had agreed to sell their Roto-Gro Inc shares on the same terms as the original shareholders. Those other Roto-Gro Inc shareholders subsequently confirmed that the Perishable Acquisition Consideration received from Roto-Gro would be subject to 12 months escrow from issue.

James Gallant has certified to the Company that the Perishable Vendors other than Sherry Gallant are not associated (as that term is defined in the Corporations Act) with either Sherry Gallant or him, or each other.

7.2 Contracts with the Target Group

The Company, through its wholly owned subsidiary, Roto-Grow World Wide Inc (RWW), is a party to the following agreements with Roto-Gro Inc's subsidiaries:

(a) Patent Licence Agreement

Roto-Gro IP has granted RWW a royalty-bearing license under the inventions and discoveries covered by the Patents and Technology Rights, as improved from time to time, and includes additional patent applications or patents relating to the Roto-Gro System to make, use, lease, sell, import, export or otherwise exploit, the Licensed Products within the world and the right to sub-licence these rights to others.

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

- (i) 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.
- (ii) RWW must pay to Roto-Gro IP:
 - (A) 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 RWW and received by Roto-Gro IP and a running royalty of 2.5% of net sales thereafter; and
 - (B) all costs of patent prosecution incurred on behalf of RWW.
- (iii) 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.

(b) Trademark License Agreement

Roto-Gro IP has granted RWW a worldwide exclusive right and licence to use and display the ROTO-GRO trademark and certain other trademarks in connection with the Licensed Products.

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

- (i) 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.
- (ii) 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 RWW.
- (iii) The Trademark License Agreement will terminate on 31 December 2040 unless terminated or otherwise extended and will automatically extend for further periods of 5 years each unless one or both parties

elect to terminate. Written notice of termination is required no less than 6 months prior to the date of termination.

(c) Original Equipment Manufacturer Supply Agreement

RWW and Roto-Gro Tech are parties to the Original Equipment Manufacturer Supply Agreement (**OEM Agreement**) under which Roto-Gro Tech agrees to manufacture and sell to RWW and RWW agrees to purchase from Roto-Gro Tech, Roto-Gro Systems and any other goods sold pursuant to the OEM Agreement.

The key terms of the OEM Agreement are as follows:

- (i) The term of the OEM Agreement is for a period of 25 years from 2016 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.
- (ii) 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.
- (iii) Roto-Gro Tech, 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 RWW to import the Products into other countries will be the responsibility of RWW.
- (iv) Customs, duties, taxes and similar charges which may be imposed by the country of shipment will be borne by Roto-Gro Tech. Customs, duties, taxes and similar charges which may occur in RWW's country or elsewhere in the world will be paid by RWW and any such costs prepaid by Roto-Gro Tech will be invoiced to RWW.
- (v) If Roto-Gro Tech is unable to maintain supply, RWW has the option to manufacture the Products itself (or by another party authorised by Roto-Gro Tech) and Roto-Gro Tech will use its commercially reasonable best efforts to assist RWW (or other authorised parties) to manufacture the Products by consenting to the use of its confidential information provided that RWW (or any other authorised party) executes any documentation required by Roto-Gro Tech to protect its rights to such confidential information.
- (vi) The Products may be operated with an optional software and computer interface. If purchased by RWW, Roto-Gro Tech will provide RWW with any software updates as soon as they are available.
- (vii) Roto-Gro Tech will supply RWW with spare parts provided RWW 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 RWW.

- (viii) The price for spare parts may be changed by Roto-Gro Tech at the end of each contract year and with the price premised on the direct cost to Roto-Gro Tech plus directly attributable overheads.
- (ix) RWW may purchase standard spare parts from Roto-Gro Tech's suppliers directly.

(d) Sub-lease

The Company occupies its premises at 130 Healy Road, Bolton Ontario under a sub-lease with Roto-Gro International Inc. RWW is responsible for all of the costs under Roto-Gro International Inc's head lease.

As a result of the above agreements, the Company's business operations consist of selling Roto-Gro machines, both in the cannabis (on an exclusive basis) and perishable (non-exclusive basis) markets; with the balance of activities (research and development, and manufacturing) undertaken by Roto-Gro Inc's employees. In addition to paying for machines, the Company had also provided funds to Roto-Gro Inc. to ensure sufficient working capital to bulk order components. As a result and through Roto-Gro Inc's contracts with RWW, Mr Gallant effectively controls the Company's day to day technical operations in Toronto, Canada.

Completing the Perishable Acquisition will result in Roto-Gro IP and Roto-Gro Tech being wholly owned subsidiaries of the Company and allow the above contracts to be terminated. This will simplify the Group's operations and allow it to control the use of the Patents and Technology Rights and the relevant trademarks and to own the stock, plant & equipment to manufacture the Roto-Gro systems.

7.3 Roto-Gro Inc

Information on Roto-Gro Inc is set out in section 6 of the Independent Expert's Report.

7.4 Roto-Gro Inc intellectual property

SCHEDULE 4 sets out the patents and trademarks held by the Target Group and their status.

7.5 Indoor farming and perishable foods

Indoor farming has increased significantly in popularity amongst investors recently as it facilitates the cultivation of large volumes of vegetation (such as fresh produce) in secure urban environments, occupying less space and consuming less water, energy and nutrients than traditional farming methods. In this regard, RotoGro is a participant in the new wave of "agritechture" by combining agriculture, technology and architecture to make the process of growing food more seamlessly integrated.

The decline in arable land, stress on natural resources and changing weather conditions are some of the key factors driving the demand for indoor farming technologies and market growth. Additionally, rapid global population growth, rising transportation costs and increasing demand for fresh food paired with the development of innovative and cost-effective technologies is further expected to surge the demand for the indoor farming market.

The ability to consistently yield high quality organic produce harvested daily and available on retail shelves the same day whilst minimising the carbon footprint and environmental impacts of conventional farming will boost the fresh produce market significantly.

In addition to its cannabis markets, the Company is increasing its focus on the perishable foods (produce) space, and over the past 6 months has announced transactions with Gibio Inc. (Gibio) and Freshero Pty Ltd (Freshero).

(a) Gibio

On 22 May 2018 the Company announced a letter of intent between RWW and Gibio (Gibio LoI). Under the Gibio LoI, RotoGro invested C\$375,000 for 9.09% of Gibio's fully paid ordinary shares on issue. Following this investment, RotoGro and Gibio will construct 2 new rotational hydroponic garden prototypes, bespoke to Gibio's operations in accordance with the technical collaboration, testing and refinement to date. Upon completion, these prototypes will undergo a final round of testing where any IP additions to Roto-Gro's existing designs bespoke to the Gibio operations will be owned by Gibio.

When testing is complete, the parties will collaborate on the design and fitout of Gibio's first indoor vertical farming facility comprising a minimum 80,000 square feet of growing footprint which is equivalent to 800 4' diameter RotoGro Systems.

Gibio will own the intellectual property created under the Gibio LoI, which will be exclusively manufactured by the Company for an initial period of 20 years, with an option to extend for a further 20 years.

In addition to the initial 9.09% equity interest and exclusive manufacturing rights for all Gibio facilities worldwide for a period of 20 years, RotoGro has the opportunity (subject to Gibio board approval) to increase its participation in Gibio's share capital by subscribing for additional shares up to 49% of Gibio's issued share capital.

(b) Freshero

On 23 August 2018 the Company announced a heads of agreement (**Freshero HoA**) and proposed joint venture with Freshero. The Freshero HoA and the proposed joint venture agreements will leverage the RotoGro System, crop management fertigation hardware and software systems as part of Freshero's urban vertical farming offering. The parties intend to negotiate a joint

venture agreement under which RotoGro will supply the capital equipment, software and management time at agreed rates and, in return, Freshero will commit to exclusive long-term service agreements with RotoGro for the installation of new indoor vertical farming facilities and ongoing operational management and maintenance. In addition, Freshero will pay RotoGro a revenue-based royalty per facility, to be negotiated. Freshero will have a worldwide first right of refusal to use the RotoGro System for fresh produce.

The Freshero HoA provides for an initial testing period to allow the parties to share growing knowhow and to commence the cultivation of key product lines at the Company's research and development grow rooms in Caledon, Ontario Canada. The initial testing period will host growers from Freshero at Roto-Gro's facility and will allow them to establish baseline crop yields for their initial chosen products and varieties.

During the period of training and testing, the parties will negotiate a definitive joint venture agreement which will also include a joint business plan and facility design for Freshero's first urban farming facility.

Settlement of the formal joint venture agreement is conditional upon due diligence being completed to the parties' mutual satisfaction, the parties signing a definitive joint venture agreement, Freshero providing a business plan acceptable to RotoGro, Freshero entering an agreement with a wholesale or retail partner, and an initial minimum order of 100 RotoGro rotational hydroponic garden systems during the training and testing period. The proposed price to be paid for indoor vertical farming facilities is confidential and subject to refinement during the design phase, however the order for the 100 units and related fertigation systems is anticipated to be between approximately C\$1,050,000 and C\$1,500,000 (depending upon the size and configuration of the units).

Since the Freshero HoA was signed, Freshero has established a presence at the RotoGro Facility located in Ontario for the purposes of researching various product lines and strategizing the economics of each for rollout across an array of international locations. Freshero are very pleased with research and trial results to date. The trials are continuing in collaboration between RotoGro and Freshero where the product lines have been expanded and, subject to the parties agreeing a formal joint venture agreement, work will commence on the design of Freshero's first facility in Sydney, New South Wales early 2019.

The Company is also working with Freshero in connection with enquires from Qatar and Nevada where we are examining key metrics and the numbers of RotoGro Systems for both proposed facilities there. Based on the Company's experience with Gibio and our understanding of the number of our systems required for various product lines, the projected scale of the orders for Freshero may be very large.

Acquiring Roto-Gro Inc will allow the Company to negotiate with Freshero on an exclusive basis.

The pending orders with Gibio and Freshero create a significant opportunity for the Company in the perishable market.

(c) Current urban farmers

Two of the world's most notable urban farmers are AeroFarms LLC and Plenty Unlimited which are both located in North America where they operate large vertical farming facilities. AeroFarms recently secured Series D funding from the Ikea Group and Meraas (Dubai) to build their ninth facility. AeroFarms cannot meet the daily demand for their produce. Plenty Unlimited currently have two vertical urban farms and are actively searching for additional sites for new facilities. Plenty Unlimited is supported by Jeff Bezos (Amazon) and Eric Schmidt (Google).

The opportunities for both Gibio and Freshero are immense in a world of increasing population, climate change, potable water use and consumption, and arable land concerns. The Company's focus on urban farming to remove seasonality, variable climatic challenges, the conservative use of water and energy, and the exclusion of pesticides is clearly the way of the future. The Perishable Acquisition is a critical component of Roto-Gro's future growth and partnerships with both Gibio and Freshero, as it provides the assets and current relationships and opportunity to secure real and meaningful orders with both Gibio and Freshero.

7.6 Perishable Vendors' interest in the Company

The Perishable Acquisition Consideration is equal to approximately 8.83% (assuming no further Shares are issued) and 22.52% (assuming the milestones are met and no further Shares are issued) respectively of the Company's issued Shares, and approximately 12.86% on a fully diluted basis (i.e. assuming that the milestones for the various Performance Shares are each met, and all Options exercised).

James and Sherry Gallant (two of the Perishable Vendors) currently hold 7.26% of the Company's Shares, and will hold 9.49% (assuming no further Shares are issued) and 13.14% (assuming the milestones are met and no further Shares are issued) respectively of the Company's issued Shares, and approximately 8.82% on a fully diluted basis (i.e. assuming that the milestones for the various Performance Shares are each met, and all Options exercised).

The Perishable Vendors have each certified to the Company that they are not associates (as that term is defined in the Corporations Act) and can be issued Shares under the Perishable Acquisition without breaching section 606 of the Corporations Act (the 20% rule).

7.7 Listing Rules

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity acquires a substantial asset from (amongst other things):

- (a) a related party;
- (b) a person that has, or has had in the 6 months prior to the acquisition, a relevant interest in at least 10% of the total votes attached to the voting securities in the entity; or
- (c) a person whose relationship to the entity or a person referred to in rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders.

Given their role and dealings with the Directors, the Independent Directors are of the opinion that it is appropriate that James and Sherry Gallant (two of the Perishable Vendors) are persons to whom Chapter 10.1 of the Listing Rules applies to them and to the 32.5% interest they hold in Roto-Gro Inc and which the Company was acquiring from them. As a result, this Explanatory Memorandum must include an independent expert's report and the Perishable Acquisition Consideration will be subject to 12-month escrow from completion.

In consultation with ASX, the Independent Directors also considered it prudent to give ASX the opportunity to, as a result of the circumstances in which the Perishable Vendors (other than James and Sherry Gallant) have sold their Roto-Gro Inc shares to the Company, exercise its discretion to treat these Perishable Vendors as persons to whom Listing Rule 10.1 applies. The relationship of the Perishable Vendors are set out in section 7.9 below, and include James and Sherry Gallant's son and parents, and two investors.

ASX has determined that, following submission of a draft notice of meeting, the remaining Perishable Vendors are also persons to whom Listing Rule 10.1 applies. These Perishable Vendors had agreed to voluntarily escrow their consideration securities, so that the only implication of these vendors being persons to whom Listing Rule 10.1 applied was that this Notice of Meeting required disclose of information under Listing Rule 10.13 rather than Listing Rule 7.3. As a result of being treated as persons to whom Listing Rule 10.1 applies all securities issued to the Perishable Vendors are restricted securities under the Listing Rules and subject to mandatory escrow for 12 months from issue.

7.8 Independent Expert's Report

As required by the Listing Rules, the Company retained BDO to prepare an independent expert's report which opines whether the transaction is fair and reasonable and state the expert's opinion.

Accompanying this Explanatory Memorandum is a copy of BDO's Independent Expert's Report. BDO has concluded that the Perishable Acquisition is not fair but reasonable to the Company's Shareholders whose votes are not to be disregarded.

Shareholders are urged to read BDO's report in full.

7.9 Information required by the Listing Rules

For the purposes of Listing Rule 10.11, the following information is provided about the issue to Perishable Vendors under Resolution 5:

(a) The securities will be issued to the following persons, or their nominee:

	Relationship to James and Sherry Gallant	Holding in Roto- Gro Inc (%)		
James Gallant		25		
Sherry Gallant	Wife	7.5		
Michael Butch Gallant	Son	7.5		
Earl Francis Gallant	Parent	7.5		
Marlene Gallant	Parent	7.5		
James Paul Cranford	Investor	25		
Sun Core Ltd	Investor	20		

- (b) The maximum number of securities to be issued are:
 - (i) 10,000,000 Shares, in the proportion set out above;
 - (ii) 20,000,000 Performance Shares, in the proportions set out above.
- (c) The securities will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (d) The relationship between James and Sherry Gallant and the Company is set out in section 7.7. The relationship between the remaining Perishable Vendors is set out above.
- (e) The securities will be issued in consideration for the purchase of the shares in Roto-Gro Inc. The securities to be issued are fully paid ordinary shares that rank equally with existing Shares on issue and Performance Shares, the terms of which are set out in SCHEDULE 2.
- (f) No funds will be raised from the issue as it is in consideration for the purchase of Roto-Gro Inc.
- (g) A voting exclusion statement is included in the Notice.

7.10 Reasons why Shareholders should approve the Perishable Acquisition

The Independent Directors consider the following reasons why Shareholders should approve the Perishable Acquisition:

- (a) The fresh produce market provides a significant opportunity for the Company. The Perishable Acquisition will provide the Company with the exclusive rights to the Roto-Gro System and facilitate a formal agreement with Freshero.
- (b) As its founder and Customer Success and Facility Optimization Officer, Mr James Gallant is critical to the Company's ongoing success. Acquiring Roto-Gro Inc will align Mr Gallant's interests with other Shareholders.
- (c) The Perishable Acquisition will provide the Company with the manufacturing, research and development infrastructure to more readily perform its obligations under the agreements with Gibio and Freshero.
- (d) The Independent Expert has opined that the acquisition is not fair but reasonable to Shareholders whose votes are not to be disregarded.

7.11 Reasons why Shareholders should not approve the Perishable Acquisition

The Independent Directors consider the following reasons why Shareholders should not approve the Perishable Acquisition:

- (a) Existing Shareholders will be diluted by up to 22.52% as a result of the Perishable Acquisition (assuming no other Shares are issued).
- (b) Under the terms of agreements with Gibio and Freshero (actual in the case of Gibio, and proposed in the case of Freshero), the Company has granted exclusive arrangements for all of the Patents and Technology Rights to third parties (Gibio and Freshero respectively). Those arrangements are not conditional upon the Company completing the Perishable Acquisition.
- (c) Roto-Gro Inc is loss making.

7.12 Company's intentions if Shareholders do not approve the Perishable Acquisition

The Company will, in the event Shareholders do not approve the Perishable Acquisition or it otherwise does not complete, not have exclusive rights to the Roto-Gro Systems for perishable produce. As a result, the Company may forego some of the opportunities that indoor farming and perishable foods create.

7.13 Directors' recommendation

Having regard to the above, the Independent Directors believe that the interests of non-associated Shareholders are best served by approving the Perishable Acquisition (Resolution 5).

The Directors each recommend that Shareholders approve Resolution 5.

8 RESOLUTIONS 6 TO 9 - ACQUISITION OF SUPRA THC

8.1 Introduction

On 29 October 2018 the Company announced that it had entered into a definitive share purchase agreement (Supra Purchase Agreement) with Valens GroWorks Corp. (CSE:VGW) (Valens), a Canadian publicly-listed company located in Kelowna, British Columbia, Canada https://www.valensgroworks.com/), to acquire all of the issued and outstanding shares in the capital stock of Supra THC Services Inc. (Supra or Supra THC).

Supra THC is a wholly-owned subsidiary of Valens which specializes in the processing of cannabis into pure extracts and oils. Supra THC operates its business pursuant to Dealer's License No. 2018/6955 (**Dealer's Licence**) issued by Health Canada pursuant to the Narcotic Control Regulations of the Controlled Drugs and Substances Act (Canada). The Dealer's License allows the possession of cannabis and related active ingredients, in addition to the production of extracts for the purpose of analysis.

Roto-Gro is proposing to build a cultivation and processing facility comprising approximately 44,000 square feet (**Cultivation Facility**). The Company estimates that the cost to fit out the first phase of the Cultivation Facility will be approximately C\$500,000.

Further information on the acquisition is set out in the Company's announcement to ASX on 29 October 2018.

8.2 Material terms of the Supra Purchase Agreement

The material terms of the Supra Purchase Agreement are as follows:

- (a) Upon signing the Supra Purchase Agreement, RotoGro will:
 - (i) pay Valens a non-refundable deposit of C\$200,000; and
 - (ii) issue 2,250,000 Shares at a deemed price of AUD \$0.40 per share.

These took place on 7 December 2018.

- (b) Completion of the purchase is conditional upon RotoGro obtaining the requisite corporate and regulatory approvals (including Shareholder approval in accordance with the Listing Rules and the Corporations Act, to the extent required), at which time RotoGro will:
 - (i) pay Valens C\$200,000; and
 - (ii) issue 16,650,000 Shares to Valens, with 5,400,000 Shares escrowed until 31 December 2019 and 9,000,000 Shares escrowed until 31 December 2020.
- (c) No later than the earlier of 21 days from Health Canada confirming the issuance of a Standard Processing License to Supra THC pursuant to the Cannabis Act (Canada) and the Cannabis Regulations, and 31 December 2019, RotoGro will:

- (i) pay Valens C\$600,000; and
- (ii) release 5,400,000 Shares from escrow.
- (d) No later than the earlier of 21 days from Health Canada confirming the approval and acceptance of an amendment to Supra THC's Dealer's License to permit the operation of a Standard Cultivation License pursuant to the Cannabis Act (Canada) and the Cannabis Regulations, and 31 December 2019, RotoGro will:
 - (i) pay Valens C\$1,000,000.00; and
 - (ii) release 9,000,000 Shares from escrow.
- (e) Valens will prior to completion, transfer all assets other than the Dealer's Licence out of Supra. Whilst the Dealer's Licence applies to Supra's existing premises, Valens will provide support to RotoGro renewing the Dealer's License and applying for conversion under the Cannabis Act, and provide design assistance and inputs for a new facility to be built by Roto-Gro.
- (f) Upon completion, RotoGro and Valens (or its assignee) will negotiate an offtake agreement for the sale and purchase of cannabis produced at the new RotoGro facility.

8.3 Introduction fee

To facilitate the Cannabis Licence Acquisition, the Company has agreed to pay a further 8% of the purchase consideration (i.e. C\$160,000 and 1,512,000 Shares) to Allyson Taylor Partners Inc. and Tectonic Advisory Partners (together the **Licence Acquisition Advisors**), who are unrelated to the Company.

On 6 December 2018 the Company paid C\$16,000 to the Licence Acquisition Advisors and issued them 90,000 Shares each.

The remaining 1,332,000 Shares to be issued to the Licence Acquisition Advisors will be subject to the same escrow arrangements as that applying to the Shares issued to Valens.

Shareholder ratification and approval for the issue is sought under Resolutions 8 and 9.

8.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolutions 6 to 9, as it allows the Company to:

- (a) complete the Cannabis Licence Acquisition and acquire a dealer's licence that the Company intends to use for building the Cultivation Facility and producing lawful cannabis without using its 15% and 10% capacities respectively; and
- (b) for Shares issued to Valens, refresh its ability to issue securities under its 15% and 10% capacities respectively.

8.5 Information required by Listing Rule 7.5 for the ratification of Shares issued to Valens under the Cannabis Licence Acquisition

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 2,250,000 Shares.
- (b) The securities were issued in part consideration to acquire Supra and for nil cash consideration. The deemed issue price for accounting purposes was \$0.40 per Share.
- (c) The securities issued were fully paid ordinary shares in the capital of the Company that rank equally with existing Shares on issue.
- (d) The securities were issued to Valens.
- (e) No funds were raised under the issue, as it was in part consideration to acquire Supra.
- (f) A voting exclusion statement is included in the Notice.

8.6 Information required by Listing Rule 7.5 for the ratification of Shares issued to the Cannabis Licence Advisors

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 90,000 Shares to each of Allyson Taylor Partners Inc. and Tectonic Advisory Partners.
- (b) The securities were issued in part consideration for advisory services provided to the Company in conjunction with the Cannabis Licence Acquisition, and for nil cash consideration. The deemed issue price for accounting purposes was \$0.40 per Share.
- (c) The securities issued were fully paid ordinary shares in the capital of the Company that rank equally with existing Shares on issue.
- (d) The securities were issued to Allyson Taylor Partners Inc. and Tectonic Advisory Partners.
- (e) No funds were raised under the issue, as the Shares were issued for services.
- (f) A voting exclusion statement is included in the Notice.

8.7 Information required by Listing Rule 7.3 for the issue of Shares under the Cannabis Licence Acquisition

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

(a) The maximum number of securities to be issued is 16,650,000 Shares.

- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Shares will be issued in part consideration of the purchase of Supra and for nil cash consideration. The deemed issue price for accounting purposes is \$0.476 per Share.
- (d) The Shares are to be issued to the Valens, who is an unrelated party.
- (e) The securities to be issued are fully paid ordinary shares that rank equally with existing Shares on issue.
- (f) No funds will be raised under the issue, as it will be in part consideration for the purchase of Supra.
- (g) A voting exclusion statement is included in the Notice.

8.8 Information required by Listing Rule 7.3 for the issue of Shares to Cannabis Licence Advisors

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 1,512,000 Shares.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Shares will be issued as consideration for facilitating the Cannabis Licence Acquisition and for nil cash consideration. The deemed issue price for accounting purposes is \$0.476 per Share.
- (d) The Shares are to be issued to Allyson Taylor Partners Inc. and Tectonic Advisory Partners (or their nominees) (Cannabis Licence Advisors), who are unrelated parties.
- (e) The securities to be issued are fully paid ordinary shares that rank equally with existing Shares on issue.
- (f) No funds will be raised under the issue, as the Shares are being issued to parties for facilitating the Cannabis Licence Acquisition.
- (g) A voting exclusion statement is included in the Notice.

9 RESOLUTIONS 10 AND 11 - GFS ACQUISITION

9.1 Introduction

On 17 May 2018 the Company announced that it had agreed, through its wholly owned subsidiary Global Fertigation Solutions Inc (GFS), to acquire the fertigation assets and ongoing contracts (Fertigation Business) of Hanson's Water Treatment Inc. (Hanson) (GFS Acquisition). The acquisition consideration was equivalent to 3 times the Fertigation Business' 2017 financial year earnings before interest, tax, depreciation and amortization (EBITDA), which was agreed to be \$1,750,000. The agreed valuation was to be paid through the issue of:

- (a) 5,000,000 Shares;
- (b) 5,000,000 Performance Shares, converting to Shares upon the following milestones being met and otherwise on the terms set out in SCHEDULE 2:
 - (i) 1,000,000 Performance Shares converting to 1,000,000 Shares upon GFS achieving AUD \$2,000,000 EBITDA within 24 months of the GFS Acquisition completing;
 - (ii) 1,000,000 Performance Shares converting to 1,000,000 Shares issued upon GFS achieving EBITDA of AUD \$4,000,000 within 36 months of the GFS Acquisition completing;
 - (iii) 1,000,000 Performance Shares converting to 1,000,000 Shares upon GFS achieving EBITDA of AUD \$6,000,000 within 48 months of the GFS Acquisition completing; and
 - (iv) 2,000,000 Performance Shares converting to 2,000,000 Shares upon GFS achieving EBITDA of AUD \$10,000,000 EBITDA within 60 months of the GFS Acquisition completing.

On 31 August 2018 the parties varied the agreement to extend the date to issue the Performance Shares.

Under the GFS Acquisition, the Hanson Vendors will be paid US\$2,200,000 cash in lieu of Performance Shares in the event Shareholders do not approve the issue.

The acquisition completed on 2 July 2018 and 5,000,000 Shares were issued to the Hanson Vendors.

9.2 Information required by Listing Rule 7.5 for the ratification of issue of Shares to the Hanson Vendors

For the purposes of Listing Rule 7.5, the following information is provided about the issue of Shares to the Hanson Vendors

- (a) The number of securities issued by the Company was 5,000,000 Shares.
- (b) The securities were issued in consideration for the purchase of the Fertigation Business and for nil cash consideration. The deemed issue price for accounting purposes was \$0.35 per Share.

- (c) The securities issued were fully paid ordinary shares in the capital of the Company that rank equally with existing Shares on issue.
- (d) The securities were issued to Commercial Water Treatment, Inc, Stephen Everett Translucent Solutions and Doug Meckler (Hanson Vendors), who are unrelated parties.
- (e) No funds were raised under the issue, as it was in part consideration for the purchase of the Fertigation Business.
- (f) A voting exclusion statement is included in the Notice.

9.3 Information required by Listing Rule 7.3 for the issue of Performance Shares

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 5,000,000 Performance Shares, which upon milestones being reached will convert on the basis of one Performance Share to one fully paid ordinary share in the capital of the Company.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Performance Shares will be issued in part consideration of the purchase of the Fertigation Business and for nil cash consideration. The deemed issue price for accounting purposes is \$0.35 per Performance Share.
- (d) The Performance Shares are to be issued to the Hanson Vendors, who are unrelated parties.
- (e) The terms of the securities to be issued are set out in SCHEDULE 3.
- (f) No funds were raised under the issue, as it was in part consideration for the purchase of the Fertigation Business.
- (g) A voting exclusion statement is included in the Notice.

9.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolutions 10 and 11, as it allows the Company to:

- (a) issue Performance Shares to the Hanson Vendors, rather than paying US\$2,200,000; and
- (b) refresh its ability to issue securities under its 15% and 10% capacities respectively.

10 RESOLUTIONS 12 AND 13 - RATIFICATION OF ISSUE TO RAISE \$4.65 MILLION

10.1 Introduction

On 20 June 2018 the Company announced that it had received firm commitments from institutional and sophisticated investors for a fully-subscribed \$4,560,000 capital raising at an issue price of \$0.38 per Share, jointly managed by Barclay Wells Pty Ltd and Emerald Capital Australia Pty Ltd (**Placement**).

The Company issued a total of 12 million Shares under the Placement between 28 June and 4 October 2018. These Shares were issued to unrelated parties of the Company and within the 15% annual limit permitted by Listing Rule 7.1 (4,000,000 Shares) and 10% capacity under Listing Rule 7.1A (8 million Shares); and therefore without the need for Shareholder approval. The Company seeks to ratify these issues.

Funds raised under the Placement will be used to fast-track the pursuit of strategic acquisitions in lawful cannabis licenses, nutrients and perishable foods by way of equity ownership or partnerships, expanding its research and development facility in Caledon, Ontario, Canada and bolstering its sales and management teams.

The effect of Shareholders passing Resolutions 12 and 13 and ratifying and approving the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

10.2 Information required by Listing Rule and 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was:
 - (i) 5,563,935 Shares on 28 June 2018;
 - (ii) 1,017,367 Shares on 2 July 2018; and
 - (iii) 5,418,698 Shares on 4 October 2018.
- (b) The price at which the securities were issued was \$0.38 per Share.
- (c) The securities issued were fully paid ordinary shares in the capital of the Company that rank equally with existing Shares on issue.
- (d) The securities were issued to Barclay Wells Limited Pty Ltd and Emerald Capital Australia Pty Ltd and/or their clients, who are unrelated parties of the Company.
- (e) The intended use of the funds is set out above.
- (f) A voting exclusion statement is included in the Notice.

10.3 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolutions 12 and 13. This will restore the 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities without Shareholder approval.

11 RESOLUTION 14 - ISSUE OF BROKER OPTIONS

The Company has agreed to issue 8,800,000 Options (exercisable at \$0.65 and expiring 2 years from issue) to Barclay Wells and Emerald Capital or their nominees for services provided in relation to the Placement (**Broker Options**). Resolution 14 seeks Shareholder approval for the issue.

11.1 Information required by Listing Rules 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 8,800,000 Options.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Options will be issued in consideration for services provided in conjunction with the Placement and without an issue price.
- (d) The Options will be issued to Barclay Wells and Emerald Capital or their nominees, who are not related parties of the Company.
- (e) The terms of the Options are set out in SCHEDULE 5.
- (f) No funds will be raised under the issue.
- (g) A voting exclusion statement is included in the Notice.

11.2 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 14, as this will allow the Company to comply with its obligations under its mandates with Barclay Wells Limited Pty Ltd and Emerald Capital, and allow the Company to issue further securities without Shareholder approval.

12 RESOLUTION 15 - APPROVAL OF 10% PLACEMENT FACILITY

12.1 General

The Company seeks Shareholder approval to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period following shareholder approval (10% Placement Facility).

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 12.4) below).

Any funds raised will be used to fast-track the pursuit of strategic acquisitions in lawful cannabis licenses, nutrients and perishable foods by way of equity ownership or partnerships, expanding its research and development facility in Caledon, Ontario, Canada and bolstering its sales and management teams.

Resolution 15 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

12.2 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 15. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

12.3 Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period following shareholder approval by way of a special resolution. The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalization of \$300 million or less. The Company is an eligible entity.

(a) Maximum number of Equity Securities which may be issued

The number of Equity Securities which may be issued, or agreed to be issued, under the 10% Placement Facility is prescribed in Listing Rule 7.1A.2 and is calculated as follows:

Number of Equity Securities = $(A \times D) - E$

- "A" the number of shares on issue 12 months before the date of issue or agreement:
 - (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (B) plus the number of partly paid shares that become fully paid in the 12 months;
 - (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under

the entity's 15% placement capacity without shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

"D" is 10%

"E" is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

The actual number of Equity Securities that may be issued under Listing Rule 7.1A is calculated at the date of issue of the Equity Securities in accordance with the above formula.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

As the date of this Notice, the Company has on issue the following quoted securities:

(i) 103,261,501 Shares;

As a result and assuming all Resolutions ratifying previous security issues are passed, the Perishable and the Cannabis Licence Acquisitions complete and 15 million Shares are issued under the Placement Facility the Company will have:

- (ii) 148,298,501 Shares on issue; and
- (iii) the capacity to issue:
 - (A) 22,179,775 Equity Securities under Listing Rule 7.1; and
 - (B) 14,119,850 Shares under Listing Rule 7.1A.
- (b) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

12.4 Specific information required by Listing Rule 7.3A

For the purposes of Listing Rule 7.3A, the following information is provided about the proposed issue:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) There is a risk of economic and voting dilution to existing Shareholders in approving the 10% Placement Facility, including the risks that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than when Shareholders approve the 10% Placement Facility; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or issued for non-cash consideration for the acquisition of a new asset.

Following is a table that sets out the potential dilution of existing Shareholders if Equity Securities are issued under the 10% Placement Facility:

Variable "A" in Listing Ru	le 7.1A.2		Dilution	
		\$0.165	\$0.33	\$0.66
		50% decrease in Issue Price	Issue Price	100% increase in Issue Price
Current Variable A 148,298,501 Shares	10% Voting Dilution	14,829,850	14,829,850	14,829,850
	Funds Raised	\$2,446,925	\$4,893,851	\$9,787,701
50% increase in current Variable A 222,447,751 Shares	10% Voting Dilution	22,244,775	22,244,775	22,244,775
	Funds Raised	\$3,670,388	\$7,340,776	\$14,681,552
100% increase in current Variable A	10% Voting Dilution	29,659,700	29,659,700	29,659,700

296,597,002 Shares	Funds Raised	\$4,893,851	\$9,787,701	\$19,575,402

The table has been prepared on the following assumptions:

- (i) The Company issues, or agrees to issue, the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Performance Rights vest into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (v) All Resolutions are passed, the Perishable and Supra Purchase Agreements complete and 15 million Shares are issued under the Placement Facility.
- (vi) The issue price is \$0.33.

The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.

The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

- (c) The latest date by which Equity Securities may be issued is 12 months after the Meeting. Approval for the issue of Equity Securities under the 10% Placement Facility will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Equity Securities may be issued for the following purposes:
 - (i) to raise funds, in which case the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued research and development on the Company's current assets and/or general working capital; or
 - (ii) in consideration of the acquisition of new non-tangible assets and investments, in which case the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (e) The Company is yet to identify the persons to whom Equity Securities will be issued to under the 10% Placement Facility. The Company's policy for allocating Equity Securities issued under the 10% Placement Facility will be determined on a case-by-case basis depending upon the purpose, and prevailing market conditions at the time, of any issue and having regard to factors including but not limited to the following:
 - (i) The fundraising methods available to the Company, including but not limited to, rights issue or other issue which may minimise dilution to Shareholders.
 - (ii) In the case of an asset or investment acquisition, the nature and circumstances of the acquisition.
 - (iii) The effect of the issue of the Equity Securities on the control of the Company.
 - (iv) The financial situation and solvency of the Company.
 - (v) Advice from corporate, financial and broking advisers (if applicable).

The subscribers may include vendors (in the case of any issue for non-cash consideration), existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (f) The Company obtained Shareholder approval under Listing Rule 7.1A at its previous annual general meeting. The total number of Equity Securities issued in the 12 months preceding the date of the Meeting is 19,430,000, representing 23.2% of the total number of Equity Securities on issue at the commencement of that 12 month period.
 - Information required by Listing Rule 7.3A.6 is set out in SCHEDULE 6 to this Explanatory Memorandum.
- (g) A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities, and no existing Shareholder's votes will be excluded under the voting exclusion in the Notice.

13 RESOLUTION 16 - ISSUE OF 15 MILLION SHARES

Resolution 16 seeks Shareholder approval for the issue of up to 15 million Shares at an issue price of not less than 80% of the 5 day volume weighted average price (VWAP) at the time of issue (**Placement Facility**). Funds raised under the Placement Facility will be used to build the first and subsequent phases of the Cultivation

Facility, engineering design and prototype development for 8' fully automated crop harvesting of the Company's organic perishable food gardens, continued research and development of the Company's products and crops, hiring additional sales persons and for working capital.

A summary of ASX Listing Rule 7.1 is set out in section 5 above.

The effect of Resolution 16 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.1 Information required by Listing Rule 7.3 for the issue of Shares under the Placement Facility

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 15,000,000 Shares.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Shares will be issued at an issue price of not less than 80% of the 5 day volume weighted average price (VWAP) at the time of issue.
- (d) The persons to whom Shares will be issued to under the Placement Facility are yet to be identified, but will be unrelated parties to whom securities can be issued without disclosure.
- (e) The securities to be issued are fully paid ordinary shares that rank equally with existing Shares on issue.
- (f) Funds raised under the Placement Facility will be used to build the first and subsequent phases of the Cultivation Facility, engineering design and prototype development for 8' fully automated crop harvesting of the Company's organic perishable food gardens, continued research and development of the Company's products and crops, hiring additional sales persons and for working capital.
- (g) A voting exclusion statement is included in the Notice.

SCHEDULE 1 DEFINITIONS

In this Notice and Explanatory Memorandum:

10% Placement Facility has the meaning given in section 12.1.

ASIC means the Australian Securities & Investments

Commission.

ASX means ASX Limited or the Australian Securities Exchange

operated by ASX Limited, as the context requires.

means BDO Corporate Finance (WA) Pty Ltd.

Board means the board of Directors.

Broker Option has the meaning given in section 11.

Cannabis Licence Advisors has the meaning given in section 8.8.

Cannabis Licence has the meaning given in section 5.

Acquisition

Chair or Chairperson means the chair of the Company.

Closely Related Party of a member of the Key Management Personnel

means a spouse or child of the member; or a child of the member's spouse; or a dependent of the member or the member's spouse; or anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or a company the member controls; or a person prescribed by the *Corporations Regulations 2001* (Cth).

Constitution means the constitution of the Company as amended.

Corporations Act means the *Corporations Act 2001* (Cth) as amended.

Director means a director of the Company.

EBITDA has the meaning given in section 2.

Equity Securities has the same meaning given in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum.

Fertigation Business has the meaning given in section 5.

Freshero has the meaning given in section 7.5(b).

Freshero HoA has the meaning given in section 7.5(b).

GFS has the meaning given in section5.

GFS Acquisition has the meaning given in section 5.

Hanson means Hanson's Water Treatment Inc.

Hanson Vendors means 9.2(d).

Independent Directors means David Palumbo and Julian Atkinson.

Independent Expert's

Report

Expert's means the independent expert's report prepared by BDO

for the purposes of Resolution 5, and which accompanies

this Explanatory Memorandum.

Key Management

Personnel

has the same meaning given in the Listing Rules.

Licence Acquisition

Advisors

has the meaning given in section 8.3 of the Explanatory

Memorandum.

Listing Rule means the listing rules of the ASX.

Meeting means the meeting convened by this Notice (as adjourned

from time to time).

Notice means this notice of meeting.

Option means an option to be issued a Share.

Patents and Technology

Rights

means the patent and technology rights granted by Roto-

Gro IP Inc to RWW under the Patent and Trademark Licence

Agreements summarised in section 7.2.

Perishable Acquisition has the meaning given in section 5.

Perishable Vendors means the persons holding shares in Roto-Gro Inc.

Performance Share has the meaning given in section 6.

Placement has the meaning given in section 5 of the Explanatory

Memorandum.

Proxy Form means the proxy form attached to this Notice.

Remuneration Report means the remuneration report of the Company included

in the Directors' Report section of the Company's Annual

Report.

Resolution means a resolution set out in the Notice.

RWW means Roto-Grow World Wide Inc.

Securities has the meaning given in the Listing Rules.

Share means a fully paid ordinary share in the capital of the

Company.

Shareholder means a holder of a Share.

Spill Meeting has the meaning given in section 3.2 of the Explanatory

Memorandum.

Supra has the meaning given in section 8.1.

Spill Resolution has the meaning given in section 3.2.

Target Group has the meaning given in section 7.1.

Trading Days means a day determined by ASX to be a trading day in

accordance with the Listing Rules.

Valens means Valens GroWorks Corp.

VWAP means volume weighted average price as defined in the

Listing Rules.

WST means Western Standard Time.

SCHEDULE 2 TERMS OF PERFORMANCE SHARES TO BE ISSUED TO PERISHABLE VENDORS

2.1 Definitions

Words with capitalized letters in these Terms have the following meaning, unless the context requires otherwise:

Agreement means the share sale and purchase agreement between Roto-Gro and Roto-Gro World-Wide (Canada) Inc. and the Perishable Vendors dated on or about 6 August 2018 and varied on 6 November 2018.

Company means Roto-Gro International Limited.

Conversion Event means:

- (a) the achievement of a Performance Hurdle detailed in clause 2.4(a) or
- (b) the happening of any of the events detailed in clause 2.4(d) or 2.4(e).

Deal means to sell, transfer, assign, novate, vary, mortgage, encumber, create any equitable interest, share any rights, otherwise deal with any right, title or interest, or agreement to do any of those actions.

Expiry Date means

- (a) in respect of the Class A Performance Hurdle, the date which is 18 months after Completion; and
- (b) in respect of the Class B Performance Hurdle, the date which is 30 months after Completion.

Holder means a holder of Performance Shares.

Performance Hurdle means a performance hurdle detailed in paragraph 2.4(a) and each of Class A Performance Hurdle and Class B Performance Hurdle have a corresponding meaning in relation to the relevant Performance Share.

Performance Share means a performance share convertible into a Share upon achievement of the relevant Performance Hurdle, issued on the terms and conditions detailed in these Terms, and Class A Performance Share and Class B Performance Share have a corresponding meaning in relation to the relevant Performance Share.

Roto-Gro means Roto-Gro International Limited.

Shares means fully paid ordinary shares in the capital of Roto-Gro.

Shareholder means a holder of Shares.

Terms means these terms of issue which apply to Performance Shares.

2.2 Interpretation

Grammatical variations of any words or phrases defined in paragraph 2.1 have a corresponding meaning.

2.3 Performance Shares

- (a) The Performance Shares are issued with the rights and on the terms detailed in this schedule.
- (b) These terms have been determined by the Directors in accordance with clause 2.2 of Roto-Gro's constitution.
- (c) Where lawful, these Terms prevail to the extent of any inconsistency with the Constitution.
- (d) Once a Conversion Event occurs in respect of Performance Shares, that number of Performance Shares that are subject to the Conversion Event will no longer be governed by these Terms, but will be converted to that number of Shares as determined as set out in paragraph 2.4(a) and their terms will be varied so that they are subject to the same rights and terms as all other Shares.

2.4 Conversion

- (a) Subject to paragraph 2.4(d) and 2.4(e):
 - (i) 10,000,000 Class A Performance Shares will convert into Shares on a one for one basis when the Company has generated C\$5,000,000 in audited revenue derived from the sale of Roto-Gro machines for any purpose other than for use and distribution to medical cannabis or medical marijuana producers, distributors and resellers between 6 August 2018 and the Expiry Date.
 - (ii) 10,000,000 Class B Performance Shares will convert into Shares on a one for one basis when the Company has generated C\$10,000,000 audited revenue derived from the sale of Roto-Gro machines for any purpose other than for use and distribution to medical cannabis or medical marijuana producers, distributors and resellers between 6 August 2018 and the Expiry Date.
- (b) The Performance Hurdles must be met before the relevant Expiry Date.
- (c) If a Performance Hurdle is not met by the relevant Expiry Date, the relevant Performance Shares held by each Holder will automatically consolidate into one Share for each Holder.

- (d) All Performance Shares on issue will automatically convert into Shares on the following formula up to a maximum number that is equal to 10% of Roto-Gro's issued share capital (as at the date of any of the following events):
 - (i) An offeror under a takeover offer for all Shares announcing that it has achieved acceptances in respect of more than 50.1% of Shares and that the takeover bid has become unconditional; or
 - (ii) Roto-Gro announcing that Shareholders have at a Court convened meeting of Shareholders voted in favor, by the necessary majority, of a proposed scheme of arrangement under which all of Roto-Gro's Shares are to be either:
 - (A) cancelled;
 - (B) transferred to a third party;
 - (C) the Court by order approves the proposed scheme of arrangement.
- (e) Roto-Gro will ensure the allocation of Shares under clause 2.4(e) is on a prorata basis to all Holders in respect of their respective holdings of Performance Shares and all remaining Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.

2.5 Voting rights

Each Holder has the right to receive notice of and attend but may not vote at any meeting of Shareholders.

2.6 Dividends

The Performance Shares do not have any right to receive dividends (whether cash or non-cash) from the profits of Roto-Gro at any time.

2.7 Dealings

A Holder must not Deal with Performance Shares, such that the Performance Shares are non-transferable.

2.8 Access to documents and information

A Holder has the right to receive notices of general meetings and financial reports and accounts of Roto-Gro that are circulated to Shareholders, and a right to attend Shareholder meetings.

2.9 Other terms and conditions

(a) A Holder will not be entitled to a return on capital, whether in a winding up, upon reduction of capital or otherwise.

- (b) A holder will not be entitled to participate in the surplus profit or assets of Roto-Gro upon a winding up.
- (c) There are no participating rights or entitlements inherent in the Performance Shares and Holders will not be entitled to participate in new issues (such as bonus issues) or pro-rata issues of capital to Shareholders.
- (d) Roto-Gro will issue each Holder with a new holding statement for Shares upon conversion of Performance Shares as soon as practicable following the conversion of Performance Shares.
- (e) The Performance Shares will be unquoted.
- (f) All Shares issued upon conversion will rank equally in all respects with the then-issued Shares. Roto-Gro must, within the time frame required by the Listing Rules, apply to ASX for quotation of the Shares on ASX.
- (g) A Performance Share does not give the Holder any other rights other than those expressly provided by these Terms and those provided at law where such rights cannot be excluded.
- (h) The Terms may be amended as necessary by the Directors to comply with the Listing Rules or any directions of ASX regarding the Terms.

SCHEDULE 3 TERMS OF HANSON PERFORMANCE SHARES

The terms of the issue of the Performance Shares to the Hanson Vendors are:

3.1 Definitions

Words with capitalized letters in these Terms have the following meaning, unless the context requires otherwise:

Agreement					
7. 5 . cec	means the agreement between the Company and Commercial Water Treatment Inc. (trading as Hanson s Water Treatment) dated 11 May 2018.				
Closing	means the day completion occurred under the Agreement; namely 2 July 2018.				
Company	means I	means Roto-Gro International Limited.			
Conversion Event	means:				
	` '	The achievement of a Performance Hurdle detailed in paragraph 3.4(a); or			
	, ,	The happening of any of the events detailed in paragraph 3.4(d).			
Cumulative Revenue		revenue (as defined in the US Generally Accepted ting Principles) accumulated over the relevant Period.			
Deal	encumb rights, o	to sell, transfer, assign, novate, vary, mortgage, per, create any equitable interest, share any otherwise deal with any right, title or interest, or ent to do any of those actions.			
EBITDA		audited earnings before interest, tax, tax and ation as that term is commonly understood.			
Expiry Date	means:				
	, ,	in respect of the Class A Performance Hurdle, the date which is 18 months after Closing;			
	(b)	in respect of the Class P. Dorformanas Hurdle, the			
	, ,	in respect of the Class B Performance Hurdle, the date which is 36 months after Closing; or			
	(c)	•			

Hanson	means Commercial Water Treatment Inc. (trading as Hanson's Water Treatment).
Holder	means a holder of Performance Shares.
Performance Hurdle	means a performance hurdle detailed in paragraph 3.4(a) and each of Class A Performance Hurdle, Class B Performance Hurdle and Class C Performance Hurdle have a corresponding meaning in relation to the relevant Performance Share.
Performance Share	means a performance share convertible into a Share upon achievement of the relevant Performance Hurdle, issued on the terms and conditions detailed in these Terms, and Class A Performance Share, Class B Performance Share and Class C Performance Shares have a corresponding meaning in relation to the relevant Performance Share.
Shareholder	means a holder of Shares.
Shares	means fully paid ordinary shares in the capital of the Company.
Terms	means these terms of issue which apply to Performance Shares.

3.2 Interpretation

- (a) Grammatical variations of any words or phrases defined in paragraph 3.1 have a corresponding meaning.
- (b) References to \$ are to US dollars.

3.3 Performance Shares

- (a) The Performance Shares are issued with the rights and on the terms detailed in this schedule.
- (b) These terms have been determined by the Directors in accordance with clause 2.2 of the Company's constitution.
- (c) These Terms prevail to the extent of any inconsistency with the Constitution.
- (d) Once a Conversion Event occurs in respect of Performance Shares, that number of Performance Shares that are subject to the Conversion Event will no longer be governed by these Terms, but will be converted to that number of Shares as determined as set out in paragraph 3.4(a) and their terms will be varied so that they are subject to the same rights and terms as all other Shares.

(e) Notwithstanding anything else in these terms, the relevant Performance Shares held by each Holder will automatically consolidate into one Share for each Holder in the event Hanson breaches or terminates (otherwise than for cause) the Service Agreement.

3.4 Conversion

- (a) Subject to paragraphs 3.4(c) and 3.4(d):
 - (i) 1,000,000 Performance Shares converting to 1,000,000 Shares upon GFS achieving AUD \$2,000,000 EBITDA within 24 months of the GFS Acquisition completing;
 - (ii) 1,000,000 Performance Shares converting to 1,000,000 Shares issued upon GFS achieving EBITDA of AUD \$4,000,000 within 36 months of the GFS Acquisition completing;
 - (iii) 1,000,000 Performance Shares converting to 1,000,000 Shares upon GFS achieving EBITDA of AUD \$6,000,000 within 48 months of the GFS Acquisition completing; and
 - (iv) 2,000,000 Performance Shares converting to 2,000,000 Shares upon GFS achieving EBITDA of AUD \$10,000,000 EBITDA within 60 months of the GFS Acquisition completing.
- (b) The Performance Hurdles must be met before the relevant Expiry Date.
- (c) If a Performance Hurdle is not met by the relevant Expiry Date, the relevant Performance Shares held by each Holder will automatically consolidate into one Share for each Holder.
- (d) All Performance Shares on issue will automatically convert into Shares on the following formula up to a maximum number that is equal to 10% of the Company's issued share capital (as at the date of any of the following events):
 - (i) An offeror under a takeover offer for all Shares announcing that it has achieved acceptances in respect of more than 50.1% of Shares and that the takeover bid has become unconditional; or
 - (ii) the Company announcing that Shareholders have at a Court convened meeting of Shareholders voted in favor, by the necessary majority, of a proposed scheme of arrangement under which all of the Company's Shares are to be either:
 - (A) cancelled;
 - (B) transferred to a third party;
 - (C) The Court by order approves the proposed scheme of arrangement.
- (e) the Company will ensure the allocation of Shares under paragraph 3.4(d) is on a pro-rata basis to all Holders in respect of their respective holdings of

Performance Shares and all remaining Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.

3.5 Voting rights

Each Holder has the right to receive notice of and attend but may not vote at any meeting of Shareholders.

3.6 Dividends

The Performance Shares do not have any right to receive dividends (whether cash or non-cash) from the profits of the Company at any time.

3.7 Dealings

A Holder must not Deal with Performance Shares, such that the Performance Shares are non-transferable.

3.8 Access to documents and information

A Holder has the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders, and a right to attend Shareholder meetings.

3.9 Other terms and conditions

- (a) A Holder will not be entitled to a return on capital, whether in a winding up, upon reduction of capital or otherwise.
- (b) A holder will not be entitled to participate in the surplus profit or assets of the Company upon a winding up.
- (c) There are no participating rights or entitlements inherent in the Performance Shares and Holders will not be entitled to participate in new issues (such as bonus issues) or pro-rata issues of capital to Shareholders.
- (d) the Company will issue each Holder with a new holding statement for Shares upon conversion of Performance Shares as soon as practicable following the conversion of Performance Shares.
- (e) The Performance Shares will be unquoted.
- (f) All Shares issued upon conversion will rank equally in all respects with the then-issued Shares. The Company must, within the time frame required by the Listing Rules, apply to ASX for quotation of the Shares on ASX.
- (g) A Performance Share does not give the Holder any other rights other than those expressly provided by these Terms and those provided at law where such rights cannot be excluded.
- (h) The Terms may be amended as necessary by the Directors to comply with the Listing Rules or any directions of ASX regarding the Terms.

SCHEDULE 4 TARGET GROUP INTELECTUAL PROPERTY

Patents

Country	Reference #	Туре	Filed	Serial #	Status		
Stackable Modular Rotational Gardening System							
CANADA	653-2706402	NEW	10/13/2015	2,908,184	PUBLISHED		
EUROPEAN PATENT CO	653-2706404	FCA	10/14/2015	15189807.9	PUBLISHED		
UNITED STATES	653-2706197	CEQ	10/14/2015	14/883,156	PUBLISHED		
Growing Tray and Cap	for Rotating Hydropon	ic Gardening					
WIPO	653-2706355	ОТН	5/26/2015	PCT/CA2015/050478	PUBLISHED		
UNITED STATES	653-2706966	CON	7/16/2018	16/036,189	PUBLISHED		
Stackable Modular Rot	atable Gardening Syste	em					
AUSTRALIA	653-2706403	NEW	10/14/2015	2015243012	PUBLISHED		
Trademarks							
Trademark	Country	Registered	File No.	Registration No.	Status		
Roto-Gro	Canada	22/11/2005	1233428	TMA653247	Registered		

	United States	18/08/2009	78512472	3669415	Registered
RotoGro	Canada	29/01/2018*	1879898		Formalized
iGrow	Canada	01/05/2015	1699679	TMA969545	Registered
Roto-Bloom	Canada	19/05/2015	1668050	ТМА903958	Registered
Roto-Grown	Canada	17/08/2016	1722363	TMA946551	Registered
Sustainable. Safe. Secure.	Canada	27/03/2017	1722361	TMA966720	Registered
The Greenhouse Evolved	Canada	17/08/2016	1722363	TMA946560	Registered
Agritecture	Canada	16/11/2018 (filing date)	1931025		Filed

Published means a patent application published by the World Intellectual Property Organization for which issuance is pending.

Registered means a trademark registered pursuant to the Canadian Trademarks Act and/or the American Lanham Act.

Formalised means a trademark the application for which has complied with the formal requirements of the Canadian Trademarks Act and registration is pending.

Filed means a trademark the application for which has been filed pursuant to the Canadian Trademarks Act and registration is pending.

SCHEDULE 5 TERMS OF OPTIONS

The terms of the Options are as follows:

(a) Entitlement

Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (Share) upon exercise of the Option.

(b) Exercise Price and Expiry Date

The Options have an exercise price of \$0.65 per Option (Exercise Price) and an expiry date of 5:00pm (WST) on the date that is two (2) years from the date of issue of the Options (Expiry Date).

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) Exercise Period

The Options are exercisable at any time and from time to time on or prior to the Expiry Date.

(d) Quotation of the Options

The Options will be unquoted.

(e) Transferability of the Options

The Options are not transferable, except with the prior written approval of the Company.

(f) Notice of Exercise

The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate (Notice of Exercise) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(g) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

(h) Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

(i) Quotation and timing of Issue of Shares

Within 20 days after receiving a Notice of Exercise, the Company will:

- issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) apply for official quotation on ASX of the Shares issued pursuant to the exercise of the Options.

(j) Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 3 business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(k) Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) Adjustment for Entitlements Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than as a bonus issue, to which paragraph 12 will apply) there will be no adjustment of the Exercise Price of an Option or the number of Shares over which the Options are exercisable.

(m) Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will be varied in accordance with the Listing Rules.

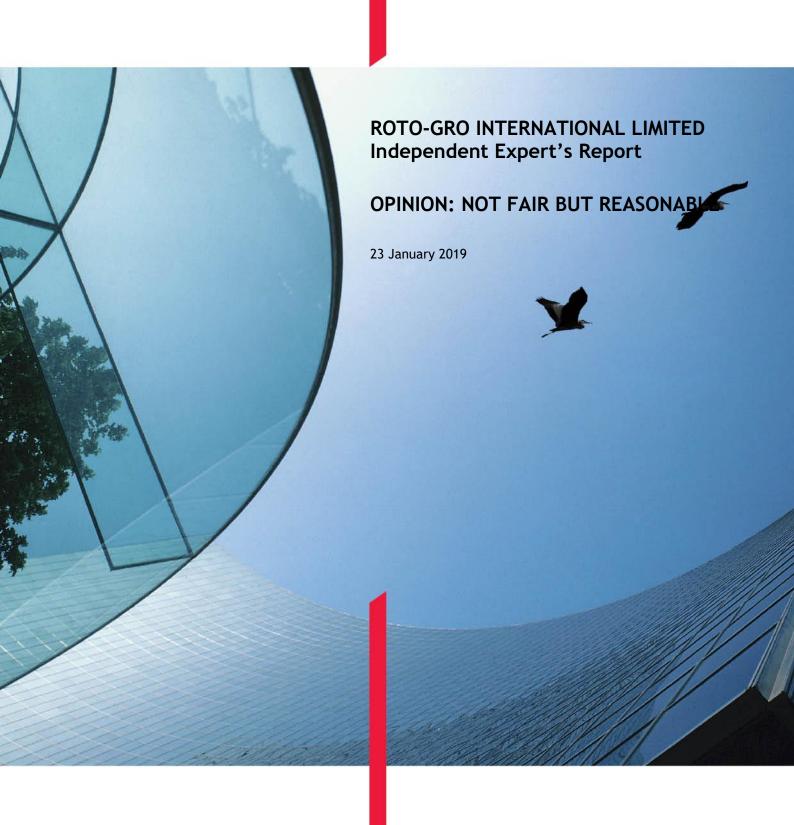
SCHEDULE 6 INFORMATION REQUIRED BY LISTING RULE 7.1A.3

	Issue 1	Issue 2	Issue 3	Issue 4	Issue 5	
Date of issue:	15 January 2018	5 February 2018	28 June 2018	2 July 2018	4 October 2018	
Number issued:	375,000	250,000	5,563,935	1,017,367	5,418,698	
Class/Type of equity security:	Share	Option	Share			
Summary of terms:	Fully paid ordinary shares	Options exercisable for \$0.70 and expiring 30 June 2018				
Names of persons who received securities or basis on which those persons was determined:	Ranger Resources Limited	Julian Atkinson	Barclay Wells Limited Pty Ltd and Emerald Capital Australia Pty Ltd and/or their clients			
Price:	N/A	N/A	\$0.38			
Discount to market price (if any):	N/A	N?A	1.3%	1.3%	15.5%	
For cash consideration	1		ı	ı	ı	

	Issue 1	Issue 2	Issue 3	Issue 4	Issue 5		
Total cash consideration received:	N/A	N/A	\$2,114,295 \$386,599		\$2,059,105		
Amount of cash consideration spent:	N/A	N/A	\$2,114,295 \$386,599		Nil		
Use of cash consideration:	N/A	N/A	Acquisition of Supra, working capital	Acquisition of Supra, working capital	Acquisition of Supra, working capital		
Intended use for remaining amount of cash (if any):	N/A	N/A			Acquisition of Supra, working capital		
For non-cash consideration							
Non-cash consideration paid:	Services provided	Services provided	N/A				
Current value of that non-cash consideration:	\$138,750	\$3,250	N/A				

	Issue 6	Issue 7	Issue 8
Date of issue:	2 July 2018	7 December 2018	7 December 2018
Number issued:	5,000,000	2,250,000	180,000

	Issue 6	Issue 7	Issue 8	
Class/Type of equity security:	Share	Share	Share	
Summary of terms:	Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares	
Names of persons who received securities or basis on which those persons was determined:	Hanson Vendors	Valens	Licence Acquisition Advisors	
Price:	N/A	N/A	N/A	
Discount to market price (if any):	N/A	N/A	N/A	
Non-cash consideration paid:	In part consideration for the acquisition of the Hanson fertigation business	In part consideration for the acquisition of Supra	In part consideration for advisory services in relation to the acquisition of Supra	
Current value of that non-cash consideration:	\$1,850,000	\$832,500`	\$66,600	







Financial Services Guide

23 January 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Roto-Gro International Limited ('RGI') to provide an independent expert's report on the proposal to acquire Roto-Gro Inc., which owns Roto-Gro IP Inc and Roto-Gro Technologies Inc. You are being provided with a copy of our report because you are a shareholder of RGI and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act)' as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by RGI to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158:
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$45,000 excluding GST.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in RGI.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from RGI for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45** days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001

AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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23 January 2019
The Directors
Roto-Gro International Limited
Level 11 London House
216 St Georges Terrace
PERTH WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 6 August 2018, Roto-Gro International Limited ('RGI' or the 'Company') announced that it had signed a Share Purchase Agreement ('SPA') to acquire Roto-Gro Inc ('RG Inc') which owns Roto-Gro IP Inc and Roto-Gro Technologies Inc for consideration comprising 10 million fully paid ordinary shares in RGI and up to 20 million performance shares which convert to ordinary shares on reaching certain revenue milestones ('Proposed Transaction').

The Proposed Transaction represents the acquisition of a significant asset from persons to whom ASX Listing Rules Chapter 10.1 applies and so will require approval from non-associated shareholders.

2. Summary and Opinion

2.1 Requirement for the report

The directors of RGI have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Proposed Transaction to acquire Roto-Gro Inc is fair and reasonable to the non-associated shareholders of RGI ('Shareholders').

Our Report is prepared pursuant to ASX Listing rule 10.1 and is to be included in the Explanatory Memorandum and Notice of Meeting for RGI in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111'), Regulatory Guide 112 'Independence of Experts' ('RG 112') and Regulatory Guide 170 'Prospective financial information' ('RG 170').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:



- How the value of the assets being acquired compares to the value of the consideration to be paid for
 the assets. We assess this by comparing the value of an RGI share if the Proposed Transaction is
 approved with the value of an RGI share prior to the Proposed Transaction. As discussed in section
 13.2, we do not consider the Proposed Transaction to be a change of control. Therefore, we have
 assessed the value prior and after the Proposed Transaction on a minority basis;
- The likelihood of an alternative offer being made to RGI;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of our Report and have concluded that, in the absence of an alternative offer, the Proposed Transaction is not fair but reasonable to Shareholders.

In our opinion, the Proposed Transaction is not fair because the value of an RGI share following the Proposed Transaction is less than the value of an RGI share prior to the Proposed Transaction. This is primarily due to the dilution to existing shareholders as a result of the Proposed Transaction, with RG Inc being acquired on a "nil asset/nil liability" basis.

However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular, the Proposed Transaction would allow RGI to market and sell their Roto-Gro systems on an exclusive basis to perishable foods and other growing markets outside the lawful cannabis industry, which would expand and diversify the Company's earnings.

2.4 Fairness

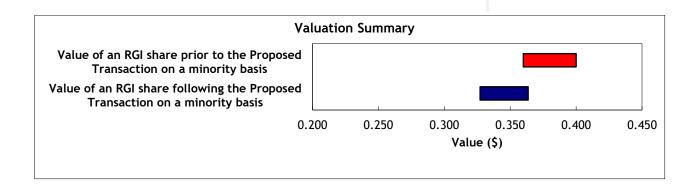
In section 12 we determined how the value of an RGI share prior to the Proposed Transaction compares to the value of an RGI share following the Proposed Transaction, as detailed below.

Valuation of an RGI share	Reference	Low \$	Mid \$	High \$
Pre the Proposed Transaction - minority interest basis	10.4	0.360	0.380	0.400
Post the Proposed Transaction - minority interest basis	11	0.327	0.345	0.364

Source: BDO analysis

The above valuation ranges are graphically presented below:





The above pricing indicates that, in the absence of any other relevant information, and an alternative offer, the Proposed Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this Report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternative proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES					
Section	Advantages	Section	Disadvantages		
13.4	Greater degree of control over the sale of Roto-Gro systems for perishables and access to manufacturing and research and development facilities	13.5	Dilution of existing shareholders' interests		
13.4	Aligns the Gallant family's interest with other shareholders	13.5	Loss of focus in the lawful cannabis industry		
13.4	Gives RGI exclusive rights to the Roto-Gro system for perishables, which creates greater opportunities	13.5	Reduction in net assets		



ADVANTAGES AND DISADVANTAGES					
Section	Advantages	Section	Disadvantages		
13.4	Potential cost reductions and synergies	13.5	RG Inc is loss making		
13.4	Potential uplift in value of the Company if revenue milestones relating to the issue of the 20 million performance shares are reached				

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	Practical level of control
13.3	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 applies where, amongst other things, a person's whose relationship with an entity is such that, in ASX's opinion, the transaction requires shareholder approval. Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the audited accounts as at 30 June 2018, the value of the consideration paid for RG Inc satisfies this condition.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent expert's report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to shareholders of RGI whose votes are not to be disregarded.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.



This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

As discussed in section 13.2, the vendors of RG Inc would only be acquiring a maximum interest of 12.95% in RGI which does not represent a control position, given the distribution of holdings between the other shareholders. The level of holding also remains below 20% and accordingly s611 of the Corporations Act does not apply. Hence we do not consider the Proposed Transaction to be a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities which are the subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. However, as stated in section 3.2 we do not consider that the Proposed Transaction is a control transaction. As such, we have not included a premium for control when considering the value of RGI shares.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an RGI share prior to the Proposed Transaction and the value of an RGI share following the Proposed Transaction (fairness - see section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution in relation to the Proposed Transaction, after reference to the value derived above (reasonableness see section 13 'Is the Proposed Transaction Reasonable?').

3.4 Compliance with APES 225 'Valuation Services'

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



4. Outline of the Proposed Transaction

On 6 August 2018, RGI announced that it had signed a Share Purchase Agreement to acquire RG Inc through its wholly-owned subsidiary, Roto-Gro World Wide (Canada) Inc ('RWW'). RG Inc holds all intellectual property including patents and patents pending in the stackable rotary hydroponic garden space, and the proprietary iGrow® growing management software. RG Inc also owns stock, plant and equipment to manufacture the Roto-Gro system as well as the leasehold interest in the manufacturing facility located in Caledon, Ontario, Canada.

The vendors include James and Sherry Gallant, their son, James Gallant's parents and two other investors as detailed in section 6.4. Within the Gallant family, James and Sherry Gallant, currently hold 7.27% of RGI's shares. Post the Proposed Transaction, this will increase to 9.50% (assuming no further shares are issued) and 12.95% (assuming performance milestones as set out in section 4.1 are met). On 1 June 2018, James Gallant became a senior employee of RGI primarily in a consulting role and on a salary of Canadian Dollars ('CAD') 15,000 per month. His duties include customer facility design and setups, customer buildouts and installation support, crop and strain selection and nutrient management planning. RG Inc's directors are James Gallant and Mark Sanschagrin.

RGI already holds the exclusive rights to the Roto-Gro system for use in the lawful cannabis industry for a period of 25 years, with rights to extend, and non-exclusive rights for non-cannabis uses. This Proposed Transaction will give ownership and control of exclusive rights to all orders and growing ownership opportunities in perishable foods, pharmaceuticals, nutraceuticals and all other growing purposes, on top of its existing rights for cannabis.

We note that other transactions are included in the Notice of Meeting that are not inter-conditional with the Proposed Transaction, we have not incorporated the impact of these non-related transactions into our assessment of the Proposed Transaction.

4.1 Key terms

Consideration

The consideration for the Proposed Transaction consists of the following:

- An upfront acquisition consideration of ten million fully paid ordinary shares in the share capital
 of RGI; and
- Up to twenty million performance shares which convert to ordinary shares in two equal tranches of ten million shares each on the achievement of RGI generating (from orders in the perishable foods space):
 - i) \$5 million in cumulative revenue within 18 months post-acquisition; and
 - ii) \$10 million in cumulative revenue within 30 months post-acquisition.

The number of performance shares issued will be reduced to the event RG Inc's liabilities exceed its assets.

In accordance with the ASX listing rules, the consideration will be subject to 12-month escrow from completion.



Conditions Precedent

Completion of the Proposed Transaction is conditional upon the satisfaction of the following conditions by 28 February 2019, or such later date as the parties agree:

- The Company obtaining all necessary shareholder approvals for the issue of securities for the purposes of ASX Listing Rule 10.1;
- RGI completing due diligence on RG Inc to its satisfaction;
- The Independent Expert's Report (our Report) opining that the acquisition is reasonable for RGI shareholders;
- There being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of RG Inc, or any event reasonably likely to result in such a material adverse change;
- There being no material breach, and there are no facts or circumstances that may reasonably be expected to lead to a material breach of any Warranties before completion; and
- ASX approving the terms of the performance shares.

5. Profile of Roto-Gro International Limited

5.1 History

Roto-Gro International is an ASX and Deutsche Boerse-listed company that produces and sells automated rotary hydroponic advanced garden systems known as Roto-Gro systems. Its systems are being used and trialled by companies operating in the lawful cannabis and perishable foods growing industries. The Company was incorporated in 2015 and operates primarily from Toronto, Canada. It listed on the ASX on 10 February 2017 and then later on the Frankfurt Stock Exchange on 9 July 2018.

The Company's current subsidiaries are (all wholly-owned):

Subsidiary	Country of Incorporation		
Roto-Gro World Wide Inc	Mauritius		
Roto-Gro World Wide (Canada) Inc	Canada		
Global Fertigation Solutions Inc	USA		

The Company's current board members and senior management are set out below:

- Mr Michael Carli Managing Director;
- Mr Michael Slater Executive Director;
- Mr David Palumbo Non-Executive Director and Company Secretary;
- Mr Julian Atkinson Non-Executive Director;



- Mr Adam Clode General Manager; and
- Mr James Gallant Customer Success and Facility Optimization Officer

5.2 Recent Corporate Events

On 4 April 2018, RGI announced that it had secured a \$2.3 million order from Miracle Valley Medical Alternatives M.V.M.A. Ltd. ('Miracle Valley'), a privately-owned lawful cannabis company based in Mission, British Columbia, to provide onsite assembly, installation and testing of their Roto-Gro Hydroponic Garden Systems, as well as certification, training and growing management support. The first \$1 million of this order was received on 26 April 2018.

On 17 May 2018, the Company announced that its wholly owned subsidiary, Global Fertigation Solutions Inc. ('GFS'), had agreed to acquire the fertigation assets and ongoing contracts of Hanson's Water Treatment Inc. ('Hanson'). Fertigation is the injection of fertilizers, soil amendments and other water-soluble products into an irrigation system. The acquisition value was agreed at \$1.75 million, equivalent to three times Hanson's 2017 financial year earnings before interest, tax, depreciation and amortization ('EBITDA'). Payment will be in the form of five million newly issued ordinary shares in RGI and, subject to shareholder approval, the issue of performance shares which will convert to ordinary shares based on GFS's financial performance.

On 22 May 2018, the Company announced a Letter of Intent ('LoI') with Gibio Inc. ('Gibio'), a company in the perishable foods growing space. An investment of CAD375,000 was made for 9.09% of Gibio's fully paid ordinary shares on issue with an option to (subject to Gibio board approval), increase its participation to up to 49%. Under the LoI, RGI and Gibio will collaborate to design 2 new rotational hydroponic garden prototypes whereby any intellectual property additions to RGI's existing designs bespoke to Gibio will be owned by Gibio. RGI will have exclusive rights to manufacture for all Gibio facilities worldwide for a period of 20 years, with an option to extend for a further 20 years.

On 20 June 2018, RGI announced a \$4.56 million capital raising through the issuance of 12 million new fully paid ordinary shares at \$0.38 per share to institutional and sophisticated investors. The raising was done over two tranches, the last of which completed on 4 October 2018. Barclay Wells Limited and Emerald Capital Australia Pty Ltd were the joint-managers. Proceeds would be used for strategic acquisitions in the lawful cannabis, nutrients and perishable foods industries.

On 6 August 2018, RGI announced the Proposed Transaction which our Report considers.

On 24 August 2018, RGI entered into a Heads of Agreement with Freshero Pty Ltd ('Freshero') to negotiate a joint venture involving the purchase and sale of Roto-Gro Rotational Hydroponic Garden Systems and services. Freshero operates in the fresh produce supply industry and has long standing relationships across the wholesale, retail and food service space in Australasia and Southeast Asia. The Heads of Agreement provides for an initial testing period of 120 days commencing 1 October 2018 during which both parties will collaborate to refine the system and form a joint business plan. Settlement is contingent upon several conditions including mutual due diligence, Freshero providing a business plan acceptable to RGI, Freshero entering an agreement with a wholesale or retail partner, and an initial minimum order of 100 Roto-Gro systems. The proposed price for the indoor vertical farming facilities remains subject to refinement, however it is expected the order for 100 units and related fertigation systems to be between CAD1.05 million and CAD1.50 million.

On 29 October 2018, RGI announced the acquisition of Supra THC from Valens GroWorks Corp. for a total consideration of CAD11.00 million comprised of CAD2.00 million in cash and 18,900,000 shares in RGI at an



average deemed value of \$0.52 each, equivalent to CAD0.48 per share. Supra THC holds a Health Canada issued Dealer's License. The license permits possession of cannabis and related active ingredients and the production of extracts for the purpose of analysis. RGI intends to apply for an amendment to the license to permit standard cultivation.

5.3 Historical Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Audited as at 30-Jun-18	Audited as at 30-Jun-17
CURRENT ASSETS	\$	\$
	2,843,623	2,165,615
Cash and cash equivalents	271,043	28,577
Trade and other receivables Inventories	129,926	20,377
Other assets	928,502	609,778
TOTAL CURRENT ASSETS	4,173,094	2,803,970
NON-CURRENT ASSETS	4,173,094	2,003,970
NON-CORRENT ASSETS		
Intangible assets	10,391,233	10,831,233
Available for sale financial assets	383,789	-
Plant and equipment	298,021	-
TOTAL NON-CURRENT ASSETS	11,073,043	10,831,233
TOTAL ASSETS	15,246,137	13,635,203
CURRENT LIABILITIES		
Trade and other payables	1,818,032	499,780
TOTAL CURRENT LIABILITIES	1,818,032	499,780
TOTAL LIABILITIES	1,818,032	499,780
NET ASSETS	13,428,105	13,135,423
EQUITY		
Contributed equity	16,181,939	13,714,841
Reserves	2,036,921	1,019,599
Accumulated losses	(4,790,755)	(1,599,017)
TOTAL EQUITY	13,428,105	13,135,423

Source: RGI audited financial statements for the years ended 30 June 2018 and 30 June 2017

Commentary on Historical Consolidated Statement of Financial Position

• Cash and cash equivalents as at 30 June 2018 increased to \$2.84 million from \$2.17 million as at 30 June 2017. Proceeds of \$2.45 million from share issues throughout the 2018 financial year were offset by net cash outflows from operating activities of \$1.09 million primarily related to payments to suppliers, employees and product manufacturing expenses, as well as net cash outflows from investing activities of \$705,000. We note that the cash balance increased by \$2.06 million on 4 October 2018 due to the second tranche proceeds from RGI's \$4.56 million capital raising announced on 20 June 2018.



- Trade and other receivables as at 30 June 2018 consisted entirely of GST and Harmonized Sales Tax ('HST') receivables from transactions in Canada.
- Inventories as at 30 June 2018 comprised finished Roto-Gro systems.
- Other assets of \$0.93 million as at 30 June 2018 comprised of prepayments and an advance to Roto-Gro Technologies Inc., a subsidiary of RG Inc. This advance of \$0.82 million made up the majority of other assets and is part payment for the manufacture and purchase of Roto-Gro units under the OEM Supply Agreement and includes prepaid rent.
- Non-current assets comprised primarily of intangible assets. The intangible assets of \$10.39 million as at 30 June 2018 relate to certain licenses for the Roto-Gro systems which are held by an unlisted Mauritian entity, Roto-Gro World Wide Inc, and are valued at cost less accumulated amortisation. These licenses are for a period of 25 years with 5 automatic renewals of 1 year each and were funded through the issue of 50 million ordinary shares and 30 million performance shares. Differences in the ending balance of the intangible assets as at 30 June 2018 and 30 June 2017 is due to the \$0.44 million amortisation expense recognised over the 2018 financial year.
- Available for sale financial assets of \$0.38 million as at 30 June 2018 relate to RGI's 9.09% interest in unlisted perishable foods company Gibio and is recorded at cost. This stake was acquired during the 2018 financial year at a cost of CAD375,000 and has not been revalued.
- Plant and equipment as at 30 June 2018 consisted of leasehold improvements as well as plant and equipment recorded at cost, less accumulated depreciation per the below table:

Plant and equipment,	Cost	Accumulated depreciation	Net book value
audited as at 30-Jun-18	\$	\$	\$
Leasehold improvements	194,618	(15,909)	178,709
Plant and equipment	126,602	(7,290)	119,312
Total plant and equipment	321,220	(23,199)	298,021

• Liabilities were classified as current and consisted entirely of trade and other payables. These are non-interest bearing and usually settled on 30 to 60 day terms. As at 30 June 2018, income received in advance for sale of Roto-Gro units of \$1.13 million made up the majority of trade and other payables.



5.4 Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-18 \$	Audited for the year ended 30-Jun-17 \$
Revenue	464,055	3,276
Expenses	,,,,,,,	-, -
Product manufacturing	(476,322)	-
Corporate and administration expenses	(526,671)	(259,001)
Consulting fees	(551,356)	(266,838)
Depreciation expense	(23,030)	(===)===) -
Amortisation expense	(440,000)	(168,767)
Travel expenses	(114,831)	(46,305)
Research and development expenses	(161,543)	(123,600)
Salaries and wages expense	(370,362)	(150,688)
Share based payments expense	(991,678)	(130,000)
Loss from continuing operations before income tax	(3,191,738)	(1,011,923)
Income tax expense	(3,171,730)	(1,011,723)
Loss from continuing operations after income tax	(3,191,738)	(1,011,923)
Foreign currency translation differences	25,644	19,599
Total comprehensive loss for the year	(3,166,094)	(992,324)

Source: RGI audited financial statements for the years ended 30 June 2018 and 30 June 2017

Commentary on Consolidated Historical Statement of Profit or Loss and Other Comprehensive Income

- Revenue for the year ended 30 June 2018 increased from \$3,000 in the year prior to \$464,000, driven primarily by sales to external customers in Canada of \$459,000 (2017: nil) and slightly higher interest received.
- Total expenses increased more than threefold for the 2018 financial year compared to the previous financial year. Share based payments (being the fair value of the 3,200,000 unlisted options issued during the 2018 financial year), product manufacturing expenses, consulting fees and amortisation expenses were the largest contributors to the increase in total expenses from \$1.02 million to \$3.66 million.
- Share based payments of \$0.99 million for the year ended 30 June 2018 relate to the 2.95 million options issued to employees and consultants exercisable at \$0.65 on or before 15 January 2020, as well as the 250,000 options issued to Mr Julian Atkinson exercisable at \$0.70 on or before 30 June 2019.
- Amortisation expense of \$440,000 for the 2018 financial year relates to the licenses acquired partway through the 2017 financial year. It is calculated over the period of the license being 25 years.
- Foreign currency translation differences arose from RGI's assets and liabilities denominated in CAD and United States Dollars ('USD').



5.5 Post balance date events

Several events which occurred after the 30 June 2018 balance date include:

- Completion of the Hanson acquisition on 2 July 2018 through the issue of 5,000,000 ordinary RGI shares and, pending shareholder approval, 5,000,000 performance shares that convert into an additional 5,000,000 ordinary RGI shares should certain EBITDA milestones be met.
- The Heads of Agreement entered into with Freshero on 24 August 2018 pertaining to a proposed joint venture involving the purchase and sale of Roto-Gro systems and services.
- Receipt of \$2.06 million from the issue of 5,418,698 ordinary shares on 4 October 2018 relating to the second tranche of RGI's \$4.56 million capital raising first announced on 20 June 2018.
- On 29 October 2018 entered into an SPA to acquire Supra THC from Valens GroWorks Corp. for a total consideration of CAD11.00 million comprised of CAD2.00 million in cash and 18,900,000 shares in RGI. Of this, CAD200,000 has been paid and 2,250,000 shares have already been issued as part of the upfront consideration prior to our Report. A further CAD16,000 has been paid and 180,000 shares have also been issued to advisors in relation to the Supra THC acquisition.

5.6 Capital Structure

The share structure of RGI as at 22 January 2019 is outlined below:

Total ordinary shares on issue

Top 20 shareholders

Top 20 shareholders - % of shares on issue

Total ordinary shares on issue

Top 20 shareholders

Top 20 shareholders - % of shares on issue

Source: RGI management

The range of shares held in RGI as at 22 January 2019 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	63	33,936	0.03%
1,001 - 5,000	385	986,211	0.96%
5,001 - 10,000	164	1,343,591	1.30%
10,001 - 100,000	387	14,567,939	14.11%
100,001 - and over	152	86,284,824	83.60%
TOTAL	1,147	103,216,501	100.00%

Source: RGI management



The ordinary shares held by the most significant shareholders as at 22 January 2019 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Vertical Ltd	4,000,000	3.88%
939354 Ontario Inc.	4,000,000	3.88%
Sherry D Gallant	3,500,000	3.39%
Sloop Investments Inc.	3,400,000	3.29%
Total Top 4	14,900,000	14.44%
Others	88,316,501	85.56%
Total ordinary shares on Issue	103,216,501	100.00%

Source: RGI management

939354 Ontario Inc. is an entity controlled by James Gallant.

Outlined below are the unlisted options RGI has on issue as at 22 January 2019:

Current Options on Issue	Number	Amounts raised if exercised \$
Employees and consultants options exercisable at \$0.65 on or before 15 January 2020	2,950,000	1,917,500
Directors options held by Mr Julian Atkinson exercisable at \$0.70 on or before 30 June 2019	250,000	175,000
TOTAL	3,200,000	2,092,500

Source: RGI management

In addition, there are 25,000,000 unlisted Performance Shares on issue which were part of the deferred consideration for RGI's acquisition of Roto-Gro World Wide Inc. on 6 February 2017. Each of these Performance Shares convert to one ordinary share in RGI with no consideration payable but are subject to the following vesting conditions:

- 7,000,000 Class B Performance Shares Conditional upon RGI generating \$20 million in cumulative sales by no later than 28 months after completion of the acquisition.
- 9,000,000 Class C Performance Shares Conditional upon RGI generating \$50 million in cumulative sales by no later than 40 months after completion of the acquisition
- 9,000,000 Class D Performance Shares Conditional upon RGI generating \$80 million in cumulative sales by no later than 60 months after completion of the acquisition



6. Profile of Roto-Gro Inc.

6.1 History

Roto-Gro Inc. ('RG Inc') is domiciled in Canada and is privately-owned by James Gallant and his wife, Sherry Gallant, as well as five other shareholders as detailed in section 6.4. James Gallant founded RG Inc which owns 100% of:

- Roto-Gro IP Inc, the entity which holds all intellectual property including patents and patents
 pending in the stackable rotary hydroponic garden space and proprietary iGrow[®] growing
 management software; and
- Roto-Gro Technologies, the entity which owns the stock, plant and equipment to manufacture the Roto-Gro systems; and
- Roto-Gro International Inc, which holds the head lease over 140 Healy Road, Bolton, Ontaria, and from which RGI operates its business.

Based on the unaudited financial statements of RG Inc provided by RG Inc's management, it has been unprofitable for the financial year ended 31 December 2017, as well as for the half-year ended 30 June 2018. RG Inc also had negative net assets as at 30 June 2018. The historical financial statements presented below are unaudited and are stated in their reporting currency, being the CAD.

RG Inc's directors are Mr James Gallant and Mr Mark Sanschagrin.

6.2 Historical Consolidated Statement of Financial Position

	Unaudited as at	Unaudited as at
Statement of Consolidated Financial Position	30-Jun-18	31-Dec-17
	CAD	CAD
CURRENT ASSETS		
Cash and bank	173,714	105,906
Accounts receivable	-	5,775
Inventory	468,102	450,000
TOTAL CURRENT ASSETS	641,816	561,681
NON-CURRENT ASSETS		
Capital assets	219,943	228,588
TOTAL NON-CURRENT ASSETS	219,943	228,588
TOTAL ASSETS	861,759	790,269
CURRENT LIABILITIES		
Accounts payable and accruals	81,005	137,596
Loan from James Gallant	290,695	336,459
Loan from Roto-Gro World Wide Canada Inc (RWW)	500,000	500,000
Deferred income received from RWW	391,319	67,069
TOTAL CURRENT LIABILITIES	1,263,019	1,041,124
TOTAL LIABILITIES	1,263,019	1,041,124
NET ASSETS	(401,259)	(250,855)
EQUITY		
Contributed equity	100	100



Reserves	(516)	(655)
Accumulated losses	(400,843)	(250,300)
TOTAL EQUITY	(401,259)	(250,855)

Source: RG Inc's unaudited financial statements for the half year ended 30 June 2018 and for the full-year ended 31 December 2017

We have not undertaken a review of RG Inc's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

BDO has undertaken procedures on the financial statements displayed to ensure that there are reasonable grounds for the inclusion of the information for the purposes of our report.

Commentary on Historical Consolidated Statement of Financial Position

- As at 30 June 2018, more than 50% of RG Inc's total assets comprised of inventory. These include finished Roto-Gro systems awaiting delivery to the customer.
- The only non-current assets are capital assets which consist primarily of equipment and property less accumulated depreciation.
- Liabilities consist primarily of CAD0.79 million owed to James Gallant and deferred income which are deposits from RGI amounting to CAD0.39 million as at the half-year ended 30 June 2018. The liability to Mr Gallant will be extinguished prior to the acquisition closing.
- Reserves relate to unrealised gain or losses from foreign currency translation.

6.3 Historical Statement of Consolidated Profit or Loss

Statement of Consolidated Profit or Loss	Unaudited for the half-year ended 30-Jun-18 CAD	Unaudited for the year ended 31-Dec-17 CAD
Sales	454,221	241,174
Other income		
Interest income	-	13,333
Research & development income	75,000	209,000
Expenses	,	,
Cost of goods sold	(501,414)	(187,801)
Advertising and promotion	(331) 11 1) -	(324)
Automobile expenses	(5,917)	(8,108)
Bank charges and interest	(1,042)	(2,178)
Employee benefits	(11,665)	(14,176)
Management fees	(63,517)	(90,587)
Office and general expenses	(4,556)	(34,634)
Professional fees	(19,388)	(41,603)
Telephone and utilities	(11,581)	(25,499)
Wages	(41,470)	(22,248)
Depreciation	(19,214)	(46,365)
Loss from continuing operations	(150,543)	(10,016)



Source: RG Inc's unaudited financial statements for the half year ended 30 June 2018 and for the full-year ended 31 December 2017

We have not undertaken a review of RG Inc's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

Commentary on Consolidated Historical Statement of Profit or Loss

- Sales of Roto-Gro systems almost doubled for the half-year ended 30 June 2018 to CAD0.45 million compared to the full-year ended 31 December 2017's CAD0.24 million.
- Research and development income was lower for the half-year ended 30 June 2018 at CAD75,000 compared to the CAD209,000 recorded for the full-year ended 31 December 2017, even after accounting for the shorter measurement period.
- Corresponding to the increase in sales, cost of goods sold increased to CAD0.50 million for the 2018 half-year period compared to the 2017 full year period's CAD0.19 million.
- Wage expenses also increased for the half-year ended 30 June 2018 compared to the 2017 full financial year as a result of the addition of two more employees over the half-year period.
- Despite the higher sales received, a larger loss from continuing operations was recorded for the half-year ended 30 June 2018 compared to the full-year ended 31 December 2017 as a result of greater expenses and lower research and development income received.

6.4 Capital Structure

RG Inc is privately-owned by James Gallant and his wife Sherry Gallant, three other members of the Gallant family and two other investors as detailed below. James and Sherry Gallant together own 32.5% of RG Inc's issued share capital. In 2006, Mr James Gallant invented the Roto-Gro system in Canada.

	RG Inc Shareholder	Relationship to James Gallant	Holding in RG Inc (%)
1	James Gallant		25.0
2	Sherry Gallant	Wife	7.5
3	Michael Butch Gallant	Son	7.5
4	Earl Francis Gallant	Parent	7.5
5	Marlene Gallant	Parent	7.5
6	James Paul Cranford	Investor	25.0
7	Sun Core Ltd	Investor	20.0
	Total		100.0

Source: RGI management



7. Economic analysis

This section discusses recent performance and likely future developments of the Australian and Canadian economies. We highlight these two countries as they represent the major economies that RGI operate in.

Australia Economic Analysis

Domestic growth

The Australian economy has performed well, with GDP growth for the year running above 3%. The Reserve Bank of Australia ('RBA') is expecting growth to average 3.5% over 2019, before slowing in 2020. Non-mining business investment grew by 9% over the year to the June quarter 2018, led by non-residential construction. The pipeline of building and infrastructure work yet to be done, as well as reports on increasing underlying demand suggests that construction activity could pick up within the coming years.

Public infrastructure investment growth is high and is not expected to decline in the short term. Household consumption growth has remained stable at around 3%, and is expected to continue at this rate. This is supported by ongoing growth in employment rates and a modest pick-up in wage growth, however is shadowed by uncertainty surrounding long term wage growth and the uncertainty surrounding the decline of the housing market.

Australia's higher export prices look to have offset higher import prices in recent months, whilst the forecast for coal prices has increased due to a rise in global demand. Terms of trade are expected to remain near current high levels for the next few quarters until gradually declining, whilst Chinese demand for bulk commodities is expected to moderate over time as global supply from low-cost producers continues to increase.

Unemployment

The unemployment rate fell to 5% in September 2018, the lowest unemployment rate in several years. The unemployment rate increased marginally to 5.1% in November 2018 however the expectation is for it to decline in the medium term, as it is expected the economy will continue to grow at an above trend rate,

Inflation

Inflation remains in line with forecasts, with the Consumer Price Index increasing by 1.9% over the past year. Underlying inflation is expected to gradually increase over the next year, increase in the December quarter, then pick up to 2.25% in 2019.

Currency movements

The Australian dollar remains within the range that it has been over the past two years on a trade-weighted basis, albeit in the lower part of that range. This is due to weakness in emerging markets and renewed trade tensions. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 4 December 2018, Statement on Monetary Policy - November 2018, RBA Statistical Tables: Labour Force.

Canada Economic Analysis

Following the decline in oil prices which started in 2014 and continued into 2016, Canada's economy took some time to adjust to the new environment of lower oil prices before the Bank of Canada ('BOC') was



comfortable enough to begin withdrawing monetary stimulus in place since 2015. The monetary policy rate was raised five times since July 2017 to 1.75 percent, during which the overall Canadian economy showed solid and broad-based growth without excessive inflationary pressures. Core inflation measures were around 2 percent in September 2018, eased to 1.7 percent in November 2018 and is expected to remain close to the 2 percent target through the end of 2020. Despite increasing the monetary policy rate to 1.75 percent in October 2018, a rate which has been maintained until January 2019, the BOC still considers it to be relatively low, with their nominal neutral rate of interest being 2.5 to 3.5 percent. It remains the BOC's opinion that higher interest rates will be required to meet inflation targets.

Canada's GDP continued to expand at an annualised 2.9 percent between April and June 2018, double the rate recorded earlier in 2018. This growth was driven by consumption and exports and, to a lesser extent, business investment and government spending. The data indicated a continuing shift in demand towards exports and investment, while growth in consumption and home renovations suggest households were generally adjusting to the higher interest rate environment. GDP growth is expected to reach 1.7% in 2019, slightly below the BOC's earlier estimates due to lower oil prices.

The Canadian housing market also appears to be stabilizing on a national basis following a slowdown at the beginning of 2018. Growth in household credit has slowed, and the household debt-to-income ratio is declining. The BOC notes improvements in the quality of new uninsured mortgages with a smaller proportion of these households becoming highly indebted (defined as loan-to-income ratios above 450 percent).

In terms of concerns, growing global trade tensions continue to weigh on business confidence and the BOC estimates these factors will reduce about two-thirds of a percent from GDP by 2020. The effects of tariff disputes between the United States and China has negatively affected the prices of many commodities produced by Canada such as base metals and agricultural products. Canada's competitiveness on a global scale also continues to be an issue of concern for the BOC.

Overall however, with the job market particularly strong, rising average household incomes and relatively high consumer confidence, the BOC continues to believe that the economy is adjusting well and a gradual approach to higher interest rates is appropriate.

Source: www.bankofcanada.ca An Update on Canada's Economic Resilience 6 September 2018, Monetary Policy Report - October 2018, Monetary Policy Report - January 2019.



8. Industry analysis

Roto-Gro systems are intended for use by perishable food growers like Gibio and Freshero, who operate in the indoor and vertical farming industries. The recent legalization of cannabis in Canada coupled with RGI's announced deal with Supra THC also opens up opportunities for RGI in the lawful cannabis industry in Canada. The following section provides a broad discussion of these industries.

Indoor and vertical farming

Indoor farming is the growing of crops on a large scale, entirely indoors. Some of the larger firms involved in indoor farming include US-based AeroFarms and Plenty, while crops which have been produced by this method include lettuce, kale and herbs. The main advantages over traditional farming methods often cited include low water utilization as well as a decreased dependency on soil fertility, agrochemicals and weather conditions. Some drawbacks include higher capital expenditure, limitations on the types of crops grown and potentially higher energy consumption from the use of artificial lighting. A typical indoor farm has greater control over the growing environment of the crops compared to traditional farming methods through use of LED lights, indoor heating or cooling and tailored feed to the plants. In addition, elevated levels of carbon dioxide can be maintained in these environments to promote growth and improve yields of certain crops. With a controlled environment and reduced space requirements, indoor farms can be located within or closer to cities rather than in rural areas, a practice known as urban farming. This further brings the benefit of reduced transportation costs and a smaller carbon footprint.

The role of technology within the indoor farming industry is growing in importance too. Indoor farms are obliged to invest in innovative production technologies to achieve economies of scale in order to meet demands of large clients like supermarkets. This increased investment in technology is reflected in greater depreciation expenses. For instance, IBISWorld research estimate depreciation expense within the Under Cover Vegetable Growing industry in Australia is about 13% of the industry's cost structure which is generally larger than depreciation in other horticultural industries. As a share of industry revenue, it has also riven over the past five years to 2018 as technology has increasingly been adopted, and this trend is expected to continue.

Vertical farming is a subset of indoor farming with whereby crops are grown on the vertical plane, off the surfaces of towers or on grow trays that stack on multilevel racks. This allows for more product to be grown given a finite space. Roto-Gro's systems, which are stackable, may benefit from this industry's growth. Scarcity of arable land as global population rises is the main driver for this industry's anticipated growth but the cost of building such farms remains a key headwind. The sector has begun to attract interest from parties such as Mayasoshi Son (of SoftBank) and Jeff Bezos (of Amazon) amongst others whom, in July 2017, invested USD200 million in vertical farm start-up Plenty.

The two key factors expected to drive the demand for novel farming techniques like indoor or vertical farming are: i) the increasing global population and ii) a reduction in the world's arable land. According to the World Bank, the world's population is expected to grow to 9.7 billion by 2050. However, a report from the United Nations concluded that arable land was being degraded each year due to factors like pollution and erosion. Coupled with the rising demand for fresher, higher quality produce, the confluence of these factors is further expected to fuel growth in these sectors.

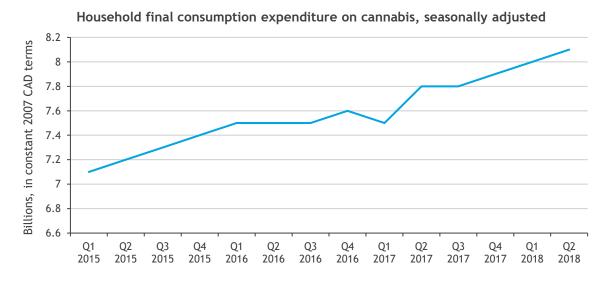


Cannabis in Canada

Medicinal use of cannabis has been legalized in Canada since 2001, however as of 17 October 2018, recreational cannabis was legalized for the first time as well. Depending on the province, users must be at least 18 or 19 years old to purchase and Canadians will be limited to the number of plants they are allowed to grow per household. Individuals are allowed to carry a maximum of 30 grams on their person in public. The government has also introduced new drug-impaired driving legislation which include stiff fines and possible jail time. For producers, a license must be filed with the Minister of Health in order to grow or make cannabis products, sell cannabis for medical purposes, perform analytical testing of cannabis or to do research and development with cannabis.

Given the recent nature of the legalization in Canada, availability of reliable industry data is scarce as at the time of this report. Projections for the fourth quarter of 2018 by the country's national statistic body, Statistics Canada, forecast around 7.1 million users of both legal and illegal cannabis with the split being approximately 76% to 24%, respectively. This equates to a total projected spend of between CAD5 to CAD6.3 billion annualized. The number of projected users are likely a slight underestimation as only purchases by persons of legal age were accounted for and demand from tourists was ignored.

Price of dried cannabis in the third quarter of 2018 was surveyed to range from CAD6.28 to CAD7.49 per gram with an average consumption amount of 19.8 grams per month. Post-legalization, demand for cannabis in Canada is expected to continue to grow. Even prior to the legalization of cannabis for recreational use, Canadian household expenditure on cannabis for both medical and non-medical use has been increasing steadily since the first quarter of 2015, rising at an average 1.0% per quarter as shown below.



Source: www.statcan.gc.ca Statistics Canada

As of September 2018, there were 120 licensed producers in the country and numbers continue to rise each month. We note this figure relates only to medical cannabis as legalization for recreational use was not yet in effect. The most recent Canadian industry statistics available are for 2017 when there were only 55 licensed producers. It showed a total of 2,399 employees in the sector with annual production of dried cannabis at 80,535 kilograms. Given the more than doubling in number of licensed producers since,



coupled with the recent legalization of marijuana for recreational use, we can expect the size and annual production of the sector to grow rapidly, at least in the near term.

The largest Canadian-based public companies by sales with significant exposure to the nation's cannabis market include Canopy Growth, Aurora Cannabis and Aphria. With the recent legislative changes, other consumer package-good companies will likely enter the Canadian cannabis market as well. Alcoholic beverage producers Constellation Brands and Molson Coors have already established partnerships with licensed cannabis growers and tobacco leaf suppliers Pyxus International may raise its existing exposure. Completed or pending cannabis-related corporate deals announced in the year to 25 September 2018 have already reached CAD4.8 billion in Canada, exceeding the previous three years combined. One factor driving the merger and acquisition activity in this sector is the substitution effect many alcoholic beverage and tobacco companies fear may negatively affect demand for their existing products.

Overall, the demand for cannabis in Canada is expected to rise post-legalization as the stigma around its use also dissipates. Producers will have to be able to expand production quickly to meet growing demand without compromising the quality and integrity of their product. In this respect, there lies scope for technology to play a role in improving productivity within the sector.

Sources: https://www.canada.ca/en/services/health/campaigns/cannabis/canadians.html Government of Canada Health

Department, www.statcan.gc.ca Statistics Canada, Bloomberg Intelligence, www.worldbank.org World Bank Group, www.fao.org
Food and Agriculture Organization of the United Nations, IBISWorld and BDO analysis.



9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

We have chosen the following approach in assessing the fairness of the Proposed Transaction:

• The value of a share in RGI prior to the Proposed Transaction compared with the value of a share in RGI following the Proposed Transaction.

9.1 Valuation approach for RGI shares prior to the Proposed Transaction

In our assessment of the value of RGI shares prior to the Proposed Transaction, we have chosen the following methodologies:

- The NAV methodology was considered as RGI does not have a record of historical profitability and this
 method can be used to assess the market value of the RGI's assets and liabilities. However, this
 method understates the value of the intangible assets on RGI's balance sheet as these intangible
 assets are recorded at cost less amortisation, thereby failing to consider the full potential economic
 benefits which may be derived from them;
- A QMP valuation was used because RGI's shares are listed on the ASX. This means there is a regulated and observable market where RGI's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities;
- We have considered the value at which RGI raised funds in its recent capital raising placed with institutional and sophisticated investors;
- An FME valuation was not used as RGI does not have a track record of profitability or the ability to provide a forecast in accordance with RG 170; and
- A DCF valuation was not used as we have not been provided with forecast cash flows for the Company.

9.2 Valuation approach for RGI shares after the Proposed Transaction

In our assessment of the value of an RGI share following the Proposed Transaction, we have chosen to employ the sum-of-parts methodology, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods.

The value of an RGI share following the Proposed Transaction using the sum-of-parts methodology consists of the following components:



- The value of RGI prior to the Proposed Transaction;
- The value of RG Inc;
- Adjustments arising from the Proposed Transaction; and
- The number of shares on issue following the Proposed Transaction.

We have not used the post announcement pricing to determine the value of the combined entity following the Proposed transaction as there are other transactions which would have an impact on the post announcement pricing that cannot be separately identified.

10. Valuation of an RGI share prior to the Proposed Transaction

We have valued RGI prior to the Proposed Transaction, on a NAV and QMP basis as set out in the below paragraphs.

10.1 Net Asset Valuation of Roto-Gro International Limited

Pre-Transaction Net Asset Value per Share	Reference /Notes	Low	Mid	High
Adjusted NAV	10.1.1	\$9,569,017	\$14,764,634	\$19,960,250
Total number of shares pre-transaction	a	103,216,501	103,216,501	103,216,501
Adjusted NAV per RGI share - control basis		\$0.093	\$0.143	\$0.193
Minority interest discount	b	29%		23%
Minority value of a share in RGI before the Proposed Transaction		\$0.066	\$0.107	\$0.149

Note a) Pre-transaction number of shares

The total number of shares in RGI pre-transaction is set out below:

Pre-Transaction Number of Shares	
Number of shares as at 28 August 2018 per 2018 Annual Report	95,367,803
Add: second tranche of \$4.56 million capital raising	5,418,698
Add: shares issued for upfront consideration in Supra THC acquisition	2,250,000
Add: shares issued to advisors relating to Supra THC acquisition	180,000
Total number of shares pre-transaction	103,216,501

We note that the Company also has options and performance shares on issue as set out in section 5.6. However none of the options are in the money prior to the transaction and the remaining performance shares are still contingent on certain conditions. The exercise and/or conversion of these have not been accounted for in our calculations and as such, our per share valuation ignores them.

Note b) Minority interest discount

The Proposed Transaction does not result in a change of control and as such, a minority interest discount is applied to the net asset valuation derived as that represents a control value.

A minority interest discount is the inverse of the control premium and is calculated using the formula:



$$\textit{Minority interest discount} = 1 - \left(\frac{1}{1 + control\ premium}\right)$$

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. Our analysis is detailed in Appendix 3 and was performed on a sector-agnostic basis, excluding transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium).

Using control premiums of 30% to 40% identified in Appendix 3, this is equivalent to a minority interest discount of between 23% and 29% when calculated using the above formula.

10.1.1 Adjusted Net Asset Valuation

The adjusted value of RGI's net assets prior to the Proposed Transaction is set out in the table below along with justifications for the adjustments:

Net assets of RGI excluding RG Inc	Notes	Audited as at 30-Jun-18 \$	Adjustments \$	Adjusted Net assets \$
CURRENT ASSETS Cash and cash equivalents Trade and other receivables Inventories Other assets TOTAL CURRENT ASSETS NON-CURRENT ASSETS	a	2,843,623 271,043 129,926 928,502 4,173,094	1,853,145	4,696,768 271,043 129,926 928,502 6,026,239
Intangible assets Assets gained from Hanson transaction Available for sale financial assets Plant and equipment TOTAL NON-CURRENT ASSETS TOTAL ASSETS	b c	10,391,233 - 383,789 298,021 11,073,043 15,246,137	(10,391,233) 4,679,000	4,679,000 383,789 298,021 5,360,810 11,387,049
CURRENT LIABILITIES Trade and other payables TOTAL CURRENT LIABILITIES TOTAL LIABILITIES NET ASSETS		1,818,032 1,818,032 1,818,032 13,428,105	(3,859,088)	1,818,032 1,818,032 1,818,032 9,569,017

Source: RGI's statement of consolidated financial position as at 30 June 2018 and BDO analysis

Note a) Cash and cash equivalents

We have adjusted cash and cash equivalents to reflect, on 4 October 2018, the receipt of the \$2.06 million in proceeds from the final tranche of the Company's \$4.56 million capital raising first announced on 20 June 2018. We have also reduced the cash balance by CAD200,000, equivalent to AUD205,960 based on a CADAUD exchange rate of 1.0298, to reflect the upfront payment as part of the Supra THC acquisition per the announcement dated 29 October 2018.

Note b) Intangible assets

These intangible assets relate to licenses for the Roto-Gro systems including the exclusive worldwide license for their sale and use within the lawful cannabis industry. We have valued these licenses based on



a range, from a low of \$nil to a high of their book value of \$10,391,233 per the audited consolidated financial position as at 30 June 2018. The above table shows the valuation under the low valuation scenario, with intangible assets reduced to \$nil and net assets reduced accordingly. As RGI has yet to show a consistent history of profitability in its current form, we have made the conservative assumption to assign a nil value to the licenses under the low valuation scenario.

We note that RGI's most recent capital raising, completed on 4 October 2018, was fully taken up by institutional and sophisticated investors at \$0.38 per share. Although this was completed after the announcement of the Company entering into a Heads of Agreement with Freshero on 24 August 2018, the capital raising price suggests that investors believe there is potential upside to these intangible assets beyond their book value amounts. However, as guided by RG 170, we do not have reasonable grounds to provide a valuation of the intangible assets and consequently have adopted the full book value of the intangible assets of \$10,391,233 under the high valuation scenario. Under this scenario, the adjusted net assets are \$20,531,250.

Note c) Assets gained from Hanson transaction

We have included the fertigation assets and ongoing contracts acquired from Hanson. The transaction, which was first announced on 17 May 2018, completed on 2 July 2018. We have valued this based on the announcement of the transaction on 17 May 2018, which detailed a consideration of 5 million shares in RGI and USD2.2 million cash payable in the event shareholders do not approve the issue of the certain performance shares. Using the closing share price of RGI on the day of the announcement (\$0.350) and an AUDUSD exchange rate of 0.7511, this is equivalent to \$1.75 million and \$2.93 million, respectively, or \$4.68 million in total.

10.2 Quoted Market Prices for RGI Securities

To provide a comparison to the valuation of RGI in section 10.1, we have also assessed the quoted market price for an RGI share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

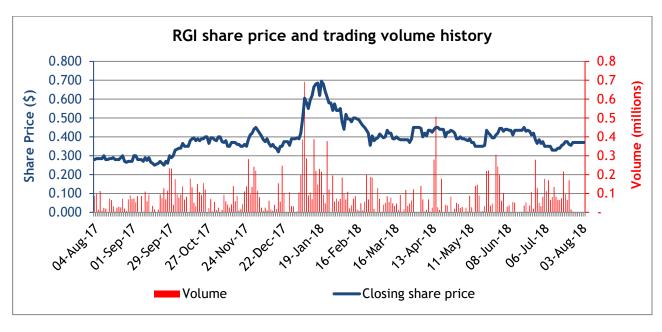
Minority interest value

Our analysis of the quoted market price of an RGI share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of an RGI share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of an RGI share following the announcement when we have considered reasonableness in section 13.

We note that RGI completed dual listing on the Frankfurt Stock Exchange on 9 July 2018. However, as its primary listing is on the ASX, we have conducted our analysis based on the ASX trading history.

Information on the Proposed Transaction was announced to the market on 6 August 2018. Therefore, the following chart provides a summary of the share price movement over the 12 months to 3 August 2018 which was the last trading day prior to the announcement.





Source: Bloomberg

The daily closing price of RGI shares from 4 August 2017 to 3 August 2018 has ranged from a low of \$0.250 on 25 September 2017 to a high of \$0.695 on 19 January 2018.

Over the assessed 12-month period, shares in RGI saw a steady run up in price over October 2017 from \$0.300 on 2 October 2017 to \$0.395 on 30 October 2017, before trading range-bound and then declining to a close of \$0.320 on 19 December 2017. Then, the price of an RGI share increased almost 94% over a period just under 4 weeks, closing at \$0.620 on 12 January 2018. There were no announcements made by the Company during this period. Most of these gains however were retraced over the subsequent 4-week period as shares dropped steadily to \$0.355 on 26 February 2018. Shares in RGI continued to trade between \$0.330 and \$0.450 over the remainder of the assessed period. Trading in RGI was halted three times over the assessed 12-month period:

- 3 April 2018: relating to an announcement of its \$2.3 million order from Miracle Valley;
- 14 June 2018: due to a \$4.56 million capital raising; and
- 27 July 2018: as a result of the Proposed Transaction.

During the 12 months to 3 August 2018, a number of announcements were made to the market. The key announcements are set out below, along with the share price movement on the day of the announcement and the three trading days after the announcement:

Date	Announcement	Price	unce	wing ment	Three Anno	Days	re Price s After ment
01/08/2018	June 2018 Quarterly Report	0.370	•	0.0%	0.370	•	0.0%
		0.205			0.275		5.2%
28/06/2018	Market Update	0.385	•	8.3%	0.365	•	5.2 %



22/05/2018	RGI Signs Perishable Food Investment & Technology Agreement	0.355	•	1.4%	0.410	•	15.5%
17/05/2018	RotoGro to Acquire Hanson Fertigation	0.350	•	0.0%	0.355	•	1.4%
01/05/2018	March 2018 Quarterly Report	0.390	•	7.1%	0.390	•	0.0%
26/04/2018	RotoGro Receives first \$1M from Miracle Valley	0.435	•	2.4%	0.390	•	10.3%
04/04/2018	RotoGro Secures \$2.3M Order from Miracle Valley	0.445	•	1.1%	0.405	•	9.0%
01/02/2018	December 2017 Quarterly Report	0.540	•	0.0%	0.440	•	18.5%
15/01/2018	Roto-Gro Launches Growing Management Services	0.665	•	7.3%	0.620	•	6.8%
31/10/2017	September 2017 Quarterly Report and Appendix 4C	0.395	•	0.0%	0.400	•	1.3%
31/08/2017	Appendix 4E and Annual Report to shareholders	0.270	•	0.0%	0.280	•	3.7%

On 1 August 2018, the Company released its quarterly activities report for the period ended 30 June 2018. The report summarised RGI's activities over the quarter which included a \$4.56 million capital raising, a partnership agreement with Gibio, an organic perishable foods grower, and the commencement of production of Miracle Valley's \$2.3 million purchase order. The share price remained unchanged on the day and over the subsequent three trading days as the company was under voluntary suspension pending an announcement regarding the Proposed Transaction.

On 28 June 2018, RGI announced completion of due diligence on its acquisition of fertigation assets and ongoing contracts of Hanson which was first announced on 17 May 2018. Fertigation is the injection of fertilizers, soil amendments and other water-soluble products into an irrigation system. The transaction was declared unconditional with completion expected 2 July 2018. The share price fell 8.3% on the day and fell a further 5.2% over the subsequent three trading days.

On 20 June 2018, the Company announced successful completion of a \$4.56 million capital raise from institutional and sophisticated investors through the issue of 12 million shares at \$0.38 per share. Proceeds were to be used to fast-track strategic acquisitions and to expand the Company's research and development facility in Caledon, Ontario. Shares in the Company closed 3.4% higher on the day but fell 4.4% over the next three trading days.

On 22 May 2018, RGI announced it had entered into a binding letter of intent with Gibio which allows RGI to subscribe for up to 49% of equity in the private company and includes a 20-year exclusive manufacturing, technology and service contract with the firm. In the announcement, Gibio was described as a Quebec company that develops large scale perishable food growing facilities worldwide. RGI agreed to invest CAD375,000 in return for 9.09% of Gibio's shares. RGI would also provide two new rotational hydroponic garden prototypes customised for Gibio. Shares in RGI ended the day 1.4% higher and increased a further 15.5% over the subsequent three trading days.

On 17 May 2018, RGI announced its agreed acquisition of all of Hanson's fertigation assets and ongoing contracts. The acquisition would be funded through the issue of 5 million RGI shares and up to a further 5 million performance shares which will convert to ordinary shares based on financial performance. The Company's shares remained unchanged on the day of the announcement and were up 1.4% over the next three trading days.

On 1 May 2018, the Company released its quarterly activities report which summarised its performance over the March quarter including its \$2.3 million purchase order from Miracle Valley. The Company's cash levels were reduced by \$390,000 to \$1.06 million primarily due to outflows from operational costs offset



slightly by customer receipts. RGI shares traded 7.1% lower on the day where they remained at over the next three trading days.

On 4 April 2018, RGI announced a \$2.3 million purchase order from Miracle Valley for its products, \$1 million of which would be received on 26 April 2018. At the time, Miracle Valley was in the process of obtaining an authorised license to produce cannabis for medical purposes from Health Canada. Miracle Valley aims to produce up to 5,400 kg of lawful cannabis per annum using RGI's equipment. Following the announcement, RGI's shares ended the day 1.1% higher. However, it fell 9.0% over the subsequent three trading days.

On 1 February 2018, the Company released its quarterly activities report for the quarter ending 31 December 2017. Highlights of the quarter included its new manufacturing and showroom facility in Caledon. RGI also revealed its patents were protected in the United States from competition in the rotational hydroponic space until 2023. The Company's cash levels ended the quarter lower by \$193,000, down to \$1.45 million, primarily due to net operating cash outflows and capital expenditures. Shares closed unchanged at \$0.540 on the day of the announcement but were 18.5% lower at \$0.440 over the next three trading days.

On 15 January 2018, RGI announced the commencement of the Company's growing management services for licensed cannabis cultivators which will manage design and buildout to growing management and harvest. The Company's share price closed 7.3% higher on the day but later fell 6.8% over the subsequent three trading days.

On 31 October 2017, the Company released its quarterly activities report for the quarter ending 30 September 2017. The report summarised activities during that quarter including the receipt of a purchase order for 100 Roto-Gro Systems from Amfil Technologies Inc. and a new five-year lease entered into for the Company's manufacturing and showroom facility. The Company's cash levels also decreased over the quarter from \$2.17 million to \$1.64 million, driven primarily by net operating cash outflows. RGI's shares ended the day unchanged and were up 1.3% over the next three trading days.

On 31 August 2017, RGI released its annual report for the financial year ending 30 June 2017. During the 2017 financial year, the Company reported a loss of \$1.01 million and net assets of \$13.1 million, comprised primarily of \$10.8 million in intangible assets. Over the 2017 financial year, cash levels increased by over \$2 million as a result of capital raisings conducted, but were offset slightly by \$1 million in net operating cash outflows. RGI's shares closed unchanged at \$0.270 on the day but finished 3.7% higher over the subsequent three trading days.

To provide further analysis of the market prices for an RGI share, we have also considered the volume weighted average price ('VWAP') for 10, 30, 60 and 90 day periods to 3 August 2018.

Share Price per unit	03-Aug-18	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.370				
Volume weighted average price		\$0.363	\$0.360	\$0.385	\$0.398

Source: Bloomberg, BDO analysis



The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of RGI shares that has occurred since the Proposed Transaction was announced.

An analysis of the volume of trading in RGI shares for the twelve months to 3 August 2018 is set out below:

Trading days	Share price	Share price	Cumulative volume	As a % of
	low	high	traded	Issued capital
1 Day	\$0.370	\$0.370	-	0.00%
10 Days	\$0.345	\$0.380	257,015	0.26%
30 Days	\$0.305	\$0.435	2,333,928	2.32%
60 Days	\$0.305	\$0.465	4,453,078	4.42%
90 Days	\$0.305	\$0.475	6,250,714	6.20%
180 Days	\$0.305	\$0.705	15,211,650	15.09%
1 Year	\$0.250	\$0.705	20,603,872	20.44%

Source: Bloomberg, BDO analysis

This table indicates that RGI's shares display a low level of liquidity, with 20.44% of the Company's current issued capital being traded in a twelve-month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of RGI, we do not consider the current market for their shares to be liquid and active. This is reflected by only 6.20% and 20.44% of the Company's issued capital being traded in a 90-day and 12-month period, respectively. Furthermore, there were significant but unexplained movements in the share price such as the near doubling in the Company's share price from \$0.320 on 19 December 2017 to \$0.620 on 12 January 2018 during which there were no announcements made by the Company.

Our assessment is that a range of values for RGI shares based on market pricing, after disregarding post announcement pricing, is between \$0.360 and \$0.400 with a midpoint of \$0.380.



10.3 Capital raising price

RGI's most recent capital raising was for \$4.56 million announced on 20 June 2018 and was fully taken up by institutional and sophisticated investors on arm's length terms. A total of 12,000,000 new fully paid ordinary shares at \$0.38 per share were issued across two tranches, the last of which completed on 4 October 2018. We consider the capital raising price to be an indication of value given that it was an arm's length transaction to third parties and was fully taken up. Given the size of the capital raising, we also consider it to be only representative of a minority interest value and provides support to the range of the quoted market prices despite the level of liquidity.

10.4 Assessment of the value of a share in Roto-Gro International Limited

The results of the valuations performed are summarised in the table below:

	Low \$	Mid \$	High \$
Net assets value (Section 10.1) - minority interest value	0.066	0.107	0.149
ASX market prices (Section 10.2)	0.360	0.380	0.400
Capital raising price (Section 10.3)	0.380	0.380	0.380

The above table shows a range of values for an RGI share prior to the Proposed Transaction. Our valuation is based on the QMP, which is supported by the price of its most recent capital raising.

There are issues associated with each of the valuation methodologies:

- The NAV valuation methodology only assigns a value to the assets of the Company and does not take into consideration future earnings of the business. The QMP and most recent capital raising price suggests that investors believe there is potential upside to the intangible assets on RGI's balance sheet beyond their book value amounts. However, as guided by RG 170, we do not have reasonable grounds to provide a valuation of these intangible assets and therefore have not adopted NAV as the primary valuation methodology.
- The QMP value is supported by low volumes which is not indicative of a deep and active market in RGI shares. However, the capital raising price at \$0.38 per share broadly supports the \$0.360 to \$0.400 per share valuation range we have adopted and accordingly provides the most relevant basis of determining the market value.

Based on the results above we consider the value of an RGI share to be between \$0.360 and \$0.400, with a midpoint value of \$0.380.



11. Valuation of an RGI share following the Proposed Transaction

Valuation of RGI post the Proposed Transaction is assessed using the sum-of-parts as summarised below.

	Reference /Notes	Low	Mid	High
Value of an RGI share prior to the Proposed Transaction	10.4	\$0.360	\$0.380	\$0.400
Multiplied by: Number of shares prior to the Proposed Transaction	10.1 Note a	103,216,501	103,216,501	103,216,501
Value of RGI prior to the Proposed Transaction - minority basis		\$37,157,940	\$39,222,270	\$41,286,600
Add: Value of RG Inc as acquired	11.2	(116,093)	(116,093)	(116,093)
Value of RGI following the Proposed Transaction		\$37,041,847	\$39,631,177	\$41,170,507
Number of shares following the Proposed Transaction	a	113,216,501	113,216,501	113,216,501
Assessed value per RGI share - minority basis		\$0.327	\$0.345	\$0.364

Source: BDO analysis

Note a) Number of shares on issue

For the purposes of our post-transaction valuation per share, we have used the pre-transaction number of shares as set out in section 10.1 and added the 10 million RGI shares being issued as part of the Proposed Transaction. We have assumed none of the existing options on issue are exercised.

Therefore, RGI's total number of shares on issue will be 113,216,501.

We also note that the consideration for the Proposed Transaction included up to 20 million performance shares, which may convert into ordinary shares. The vesting of these would impact the per share valuation above. However, the conversion of these performance shares is contingent on meeting certain revenue milestones, which in turn suggests a greater valuation than the above is warranted for RGI's net assets. This issue will be dealt with in greater detail in section 13.

From the above table, a minority value of an RGI share following the Proposed Transaction is between \$0.327 and \$0.364 with a midpoint of \$0.345.



11.1 Net Asset Valuation of Roto-Gro Inc.

We have used the Net Asset Valuation approach to value RG Inc for use in assessing the value of RGI following the Proposed Transaction to comply with the requirements of Regulatory Guide 111 and Regulatory Guide 170. Due to the requirements of Regulatory Guide 170 we are unable to value the intellectual property of RG Inc that is being acquired. Accordingly we have used a net asset valuation approach of the inclusion of RG Inc's vale in calculating the value of RGI following the Proposed Transaction, details of which are set out below.

11.2 Adjustments arising from the Proposed Transaction

The post-transaction adjusted NAV is set out below along with our reasons for any adjustments. The balance sheet of RG Inc has been translated into Australian dollar terms at a CADAUD exchange rate of 1.05 for the purposes of this section.

Net assets of RGI including RG Inc	Notes	Adjusted Net assets \$	RG Inc Net assets \$	Post-transaction Net assets \$
CURRENT ASSETS				
Cash and cash equivalents		4,696,768	182,399	4,879,168
Trade and other receivables		271,043	-	271,043
Inventories		129,926	491,507	621,433
Other assets		928,502	_	928,502
TOTAL CURRENT ASSETS		6,026,239	673,907	6,700,146
NON-CURRENT ASSETS				
Intangible assets		-	-	-
Assets gained from Hanson transaction		4,679,000	-	4,679,000
Available for sale financial assets		383,789	-	383,789
Plant and equipment		298,021	230,941	528,962
TOTAL NON-CURRENT ASSETS		5,360,810	230,941	5,591,751
TOTAL ASSETS		11,387,049	904,847	12,291,897
CURRENT LIABILITIES				
Trade and other payables		1,818,032	85,056	1,903,088
Loan from James Gallant	a	-	-	-
Loan from Roto Grow World Wide		-	525,000	525,000
Deferred income			410,885	410,885
TOTAL CURRENT LIABILITIES		1,818,032	1,020,940	2,838,972
TOTAL LIABILITIES		1,818,032	1,020,940	2,838,972
NET ASSETS		9,569,017	(116,093)	9,452,924

Source: RGI and RG Inc's statement of consolidated financial position as at 30 June 2018 and BDO analysis



Note a) Loan from James Gallant

James Gallant has agreed to forgive the amount owed by RG Inc to him, accordingly we have reduced this balance to nil in assessing the acquisition.

12. Is the Proposed Transaction fair?

The per share value of RGI pre-transaction is compared to its post-transaction valuation below:

Valuation of an RGI share	Reference	Low \$	Mid \$	High \$
Pre the Proposed Transaction - minority interest basis	10.4	0.360	0.380	0.400
Post the Proposed Transaction - minority interest basis	11	0.327	0.345	0.364

The above pricing indicates that, in the absence of any other relevant information, and an alternative offer, the Proposed Transaction is not fair for Shareholders.

13. Is the Proposed Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of RGI a premium over the value resulting from the Proposed Transaction.

13.2 Practical Level of Control

If the Proposed Transaction is approved, then James and Sherry Gallant will hold an interest of approximately 9.50% in RGI (assuming no further shares are issued). In addition, should all 20 million of the performance shares which form part of the consideration vest and assuming no other shares are issued, their interest will increase to approximately 12.95%.

We note the proposed Supra THC acquisition as announced on 29 October 2018 will also be funded through the issue of up to 18,900,000 RGI shares. In addition, 1,512,000 RGI shares will also be issued to advisors on the Supra THC acquisition. Assuming the Supra THC acquisition proceeds and all the shares above are issued, and also assuming the Proposed Transaction is approved, James and Sherry's interest in RGI will instead increase to approximately 8.19%. Furthermore, should all the performance shares in conjunction with the Proposed Transaction vest, their ownership increases to 11.41% under this scenario.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved, then James and Sherry Gallant will not be able to block general or special resolutions.



James and Sherry Gallant's control of RGI following the Proposed Transaction will not be significant when compared to all other shareholders, as they may hold up to 12.95% of the Company's shares. Therefore, in our opinion, the Proposed Transaction does not represent a change of control.

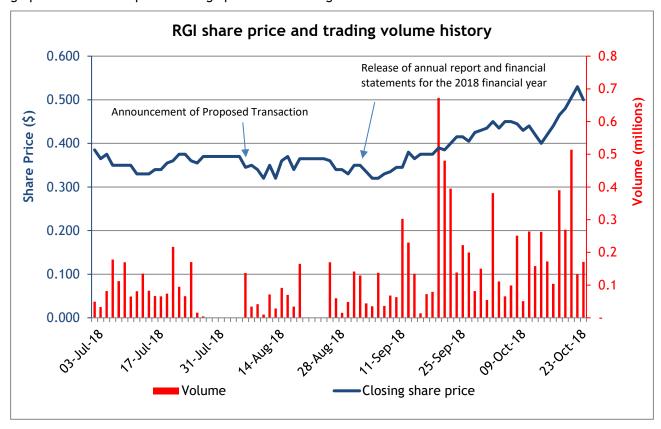
13.3 Consequences of not Approving the Proposed Transaction

Consequences

It is likely that RGI will continue to operate in its current form and focus efforts towards opportunities in the lawful cannabis market rather than the perishable foods space or other industries. The Company may continue to form partnerships with firms outside of the lawful cannabis market but will have to operate knowing that they do not have exclusive worldwide rights for the sale and distribution of Roto-Gro systems.

Post-announcement pricing

We have analysed movements in RGI's share price since the Proposed Transaction was announced. A graph of RGI's share price leading up to and following the announcement is set out below.



Source: Bloomberg

The closing price of an RGI share from 3 July 2018 to 23 October 2018 ranged from a low of \$0.320 on 5 September 2018 to a high of \$0.530 on 22 October 2018. On 6 August 2018 when the Proposed Transaction was announced, shares in RGI closed 6.8% lower and fell a further 7.2% over the subsequent three trading days to close at \$0.320. Over the following weeks to 3 September 2018, RGI shares largely traded between \$0.320 and \$0.370.



During the month of September 2018, the share price of RGI increased steadily from a close of \$0.320 on 5 September 2018 to a close of \$0.430 on 28 September 2018, before declining slightly to close at \$0.400 on 12 October 2018. We note this period of share price appreciation occurred after the Company released its annual report and financial statements for the 2018 financial year on 3 September 2018, suggesting that the results were well received. We also note a large spike in trading volume of 672,214 shares on 19 September 2018 without any related announcements by the Company. The sharp 32.5% appreciation in the share price from \$0.400 on 12 October 2018 to \$0.530 on 22 October 2018 occurred over a period where no announcements were made by the Company. This lends further weight to the argument that there currently lacks a liquid and active market for RGI shares.

In the addition to the above, we have also considered the movement of the RGI's share price in the months leading up to the date of our Report. Over this period, the share price has been impacted by general market sentiment, company-specific announcements relating to other transactions as well as announcements relating to the Proposed Transaction. Consequently, it would be impractical to assess the impact of the announcement of the Proposed Transaction during this period. We note however, that trading volumes during this period have remained low.

Given the above analysis it is possible that if the Proposed Transaction is not approved then RGI's share price is unlikely to react positively or negatively.

13.4 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
Greater degree of control over the sale of Roto-Gro systems for perishables and access to manufacturing and research and development facilities	RGI will directly own the intellectual property and patents for the Roto-Gro systems and proprietary iGrow® growing software regardless of the industry it chooses to operate in. This will afford the Company greater flexibility and control over its future operations, including the removal of the need to pay patent royalties to Roto-Gro IP Inc. Furthermore, with the simplified structure and direct ownership of the intellectual property and technology, the market could view this positively and see the share price trade higher. In addition to the above, through the Proposed Transaction, RGI will also gain the manufacturing and research and development infrastructure to better service the perishable markets.
Aligns the Gallant family's interest with other shareholders	Given the increase in the Gallant family's vested interest in RGI should the Proposed Transaction complete, we would expect there to be a greater chance of any beneficial relationships to continue and indeed even strengthen between the Gallant family and RGI. This includes consultation services from James Gallant, the introduction to potential business opportunities for the Company and greater knowledge sharing between the two parties.



Advantage	Description
Gives RGI exclusive rights to the Roto-Gro system for perishables, which creates greater opportunities	RGI will be able to pursue opportunities for exclusive sale and distribution of the Roto-Gro system outside of the lawful cannabis space. This could introduce additional lines of revenue to the Company and diversify its earnings further. Other potential industries of interest include perishable foods, pharmaceuticals, nutraceuticals and for other growing purposes. We note that RGI currently has partnerships with perishable food growers like Gibio and Freshero. However, the Proposed Transaction would help facilitate a formal agreement with Freshero, as well as allow RGI to secure control and exclusivity for the use of the technology worldwide to other perishable growers, providing a competitive advantage. Without the rights to perishables, James Gallant can deal directly with customers in the market, including Freshero.
Potential cost reductions and synergies	The acquisition could allow RGI to undertake cost reduction reviews of the existing manufacturing and supply chain agreements of RG Inc to lower production costs and eliminate duplicate costs.
Potential uplift in value of the Company if revenue milestones relating to the issue of the 20 million performance shares are reached	The 20 million performance shares being issued as part of the Proposed Transaction will convert to ordinary shares if certain revenue milestones of the combined business are met. Although their conversion would dilute existing shareholders, there could also be a potential uplift in the business valuation as RGI would have demonstrated some success in the perishable foods space, within a reasonable time frame (vesting conditions are 18 and 30 months for the two tranches of performance shares). Consequently, shareholders may own a smaller share of the business but their interest could be worth more than the valuation ascribed today.

13.5 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing shareholders' interests	Existing shareholders will have their ownership diluted as the share base will be increased by 10 million shares immediately.
Loss of focus in the lawful cannabis industry	Although RGI will gain the exclusive rights to use the Roto-Gro system in industries other than the lawful cannabis industry, this



Disadvantage	Description		
	could distract management's focus from continuing to develop a niche within this space. The historical market capitalisation is based largely on the exposure to this industry and the potential future profits.		
Reduction in net assets	Advance of \$822,974 to RG Inc currently listed as a current other asset will be eliminated. This would reduce the net assets of RGI accordingly.		
RG Inc is loss making	RG Inc has not demonstrated a history of profitable operations. Post the Proposed Transaction, should RG Inc continue to be unprofitable, this will be disadvantageous to shareholders.		

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of our Report and have concluded that, in the absence of an alternative offer, the Proposed Transaction is not fair but reasonable to Shareholders.

In our opinion, the Proposed Transaction is not fair because the value of an RGI share following the Proposed Transaction is less than the value of an RGI share prior to the Proposed Transaction. This is primarily due to the dilution to existing shareholders as a result of the Proposed Transaction, with RG Inc being acquired on a "nil asset/nil liability" basis.

However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular, the Proposed Transaction would allow RGI to market and sell their Roto-Gro systems on an exclusive basis to perishable foods and other growing markets outside the lawful cannabis industry, which would expand and diversify the Company's earnings.

15. Sources of information

This report has been based on the following information:

- Draft Notice of Annual General Meeting and Explanatory Statement on or about the date of this report;
- Share Sale and Purchase Agreement relating to shares in Roto-Gro Inc;
- Audited financial statements of Roto-Gro International Limited for the years ended 30 June 2018 and 30 June 2017;
- Unaudited management accounts of Roto-Gro Inc. for the period ended 30 June 2018 and 31 December 2017;
- Announcement of the Proposed Transaction released to the ASX on 6 August 2018;
- Share registry information;



- S&P Capital IQ;
- Bloomberg;
- IBISWorld;
- Statement by Philip Lowe, Governor: Monetary Policy Decision dated 4 December 2018 and Statement on Monetary Policy - November 2018;
- Statement by Carolyn Wilkins, Senior Deputy Governor: An Update on Canada's Economic Resilience dated 6 September 2018, Bank of Canada Monetary Policy Report dated October 2018 and Bank of Canada Monetary Policy Report January 2019;
- Information in the public domain; and
- Discussions with Directors and Management of Roto-Gro International Limited.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$45,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Roto-Gro International Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Roto-Gro International Limited, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Roto-Gro Inc. and Roto-Gro International Limited and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Roto-Gro Inc. and Roto-Gro International Limited and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Roto-Gro International Limited, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Roto-Gro International Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).



17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the former Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Global Natural Resources Leader for BDO.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Roto-Gro International Limited for inclusion in the Explanatory Memorandum which will be sent to all Roto-Gro International Limited Shareholders. Roto-Gro International Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the offer to acquire Roto-Gro Inc. for consideration comprising 10 million fully paid ordinary shares and up to 20 million performance shares which convert to ordinary shares on reaching certain revenue milestones.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Roto-Gro



Inc. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Roto-Gro International Limited, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director



Appendix 1 - Glossary of Terms

Reference	Definition	
the Act	The Corporations Act 2001 Cth	
AFCA	Australian Financial Complaints Authority	
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 22 'Valuation Services'	
ASIC	Australian Securities and Investments Commission	
ASX	Australian Securities Exchange	
AUD or \$	Australian Dollars	
BDO	BDO Corporate Finance (WA) Pty Ltd	
вос	Bank of Canada	
CAD Canadian Dollars		
the Company Roto-Gro International Limited		
Corporations Act The Corporations Act 2001 Cth		
DCF	Discounted Future Cash Flows	
EBIT	Earnings before interest and tax	
EBITDA	Earnings before interest, tax, depreciation and amortisation	
FME	Future Maintainable Earnings	
FOS	Financial Ombudsman Service	
Freshero	Freshero Pty Ltd	
FSG	Financial Services Guide	
GDP	Gross Domestic Product	
GFS	Global Fertigation Solutions Inc.	
Gibio	Gibio Inc.	



Reference	Definition	
Hanson	Hanson's Water Treatment Inc.	
HST	Harmonized Sales Tax	
Lol	Letter of Intent	
Miracle Valley	Miracle Valley Medicinal Alternatives Ltd	
NAV	Net Asset Value	
Proposed Transaction	The proposal to issue 10 million ordinary shares and up to 20 million performance shares in Roto-Gro International Ltd to the vendors, being the Gallant family, to acquire Roto-Gro Inc. on a nil asset/nil liability basis.	
QMP	Quoted market price	
RBA	Reserve Bank of Australia	
RWW	Roto-Gro World Wide Canada Inc	
Regulations	Corporations Act Regulations 2001 (Cth)	
our Report	This Independent Expert's Report prepared by BDO	
RG 111	Content of expert reports (March 2011)	
RG 112	Independence of experts (March 2011)	
RG 170	Prospective financial information (April 2011)	
RGI	Roto-Gro International Limited	
RG Inc	Roto-Gro Inc.	
Section 611	Section 611 of the Corporations Act	
Shareholders	Shareholders of Roto-Gro International Ltd not associated with Roto-Gro Inc.	
SPA	Share Purchase Agreement	
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies	
Target	Roto-Gro Inc.	
USD	US Dollar	



Reference	Definition
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



Appendix 3 - Control Premiums

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. The analysis was done on a sector-agnostic basis and excludes transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2018	23	1,626.78	47.69
2017	27	1,048.03	44.00
2016	42	718.51	49.58
2015	33	850.04	33.23
2014	45	518.59	40.00
2013	41	128.21	50.99
2012	52	472.10	51.68
2011	68	891.85	44.43
2010	53	574.61	44.37

Source: Bloomberg, BDO analysis

The mean and median of the entire data set comprising control transactions from 2010 onwards for all ASX listed companies is set out below.

Entire Data Set Metrics	Average Deal Value (\$m)	Average Control Premium (%)
Mean	699.0	45.4
Median	108.7	35.4

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.



When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre transaction or proceeded to hold a controlling interest post transaction in the target company.

The above table indicates that the long term average control premium paid by acquirers of ASX listed companies is approximately 45%. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. In a population with extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note the median announced control premium over the last ten years was approximately 35% for all ASX listed companies.

Based on the above analysis, we consider an appropriate premium for control to be between 30% and 40%.

A minority interest discount is the inverse of the control premium and is calculated using the formula:

$$\label{eq:minority} \textit{Minority interest discount} = 1 - \left(\frac{1}{1 + control\ premium}\right)$$

Using control premiums of 30% to 40% identified, this is equivalent to a minority interest discount of between 23% and 29% when calculated using the above formula.



Roto-Gro International Limited ACN 606 066 059

LODGE YOUR VOTE

ONLINE

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BY HAND

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1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

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LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **8:30am (WST) on Tuesday, 26 February 2019,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your shares using this form.

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.



X9999999999

PROXY FORM

I/We being a member(s) of Roto-Gro International Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 8:30am (WST) on Thursday, 28 February 2019 at Level 8, 99 St Georges Terrace, Perth (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an \boxtimes

R	esolutions	For Against Abstain*		For	Against Abstain*
1	Remuneration Report (Non-Binding)		9 Issue of Shares to the Cannabis Licence Advisors		
2	Re-election of Director – Michael Slater		10 Ratification of Prior Securities Issue to Hanson Vendors		
3	Appointment of Nathan Lude as Director		11 Issue of Performance Shares to Hanson Vendors		
4	Creation of Performance Shares		12 Ratification of Prior Securities Issue – Tranche 1 of Placement		
5	Issue of Securities – Perishable Acquisition		13 Ratification of Prior Securities Issue - Tranche 2 of Placement		
6	Ratification of Prior Securities Issue to Valens		14 Issue of Broker Options		
7	Issue of Shares to Valens		15 Approval of 10% Placement Facility		
8	Ratification of Prior Securities Issue to Cannabis Licence Advisors		16 Issue of 15,000,000 Shares		

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

votes will not be counted in computing the required majority on a poll.

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your