



ROTOGRO

ASX Release

15 August 2019

RotoGro Announces Completion of CEO Incentives

Roto-Gro International Limited (“ASX:RGI”, “RotoGro” or the “Company”) is pleased to announce that Mr. Adam Clode has executed an employment agreement for the office of Chief Executive Officer (the “CEO Agreement”) following his appointment by the Company’s Board of Directors (announced 1 July 2019).

Appointment of Mr. Adam Clode as Chief Executive Officer

Mr. Clode is a corporate executive with more than 15 years’ experience working with start-up and growth businesses. Graduating from the University of Western Australia with Honours, he started his career developing large mining projects across Africa for publicly-listed companies including Lycopodium Limited and African Minerals Limited before moving to Switzerland with Alstom Power to manage the development of a 2,000 MW power station followed by the United Kingdom to manage a USD \$3B Iron Ore project in Sierra Leone.

As Manager of Projects with African Minerals Limited, Mr. Clode successfully established global offices leading a client team of over 30 staff in addition to over 100 engaged consultants and specialists. Mr. Clode spent considerable time in China with key offtake partners as well as funding institutions across Asia and Europe. As a result of a collaborative effort, African Minerals Limited secured more than USD \$2B in strategic funding. After completing the project in Sierra Leone, Mr. Clode spent 6 years working in corporate finance and advisory identifying undervalued and underperforming assets as well as early start-up companies looking for seed capital and a path to commercialisation.

Mr. Clode has been involved with RotoGro since its inception in 2015, as an early investor and guiding the company in its successful Initial Public Offering. Since RGI’s inception, he has continued to work with the Company’s founders and management driving strategy and corporate organisation. Mr. Clode’s leadership skills, versatility, tenacity and ability to work well under pressure have provided a sound platform for companies and clients to excel in their development aspirations, and

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Directors

Michael Carli (Non-Executive Chairman)
Michael Di Tommaso (Executive Director)
Michael Slater (Non-Executive Director)
Jamie Myers (Non-Executive Director)
Terry Gardiner (Non-Executive Director)

Company Secretary

David Palumbo





the Company looks forward to Mr. Clode utilising these attributes as its Chief Executive Officer (“CEO”).

Market and Peer Assessment

Prior to Mr. Clode’s appointment as CEO, the Company retained BDO Australia to complete a market comparison and a peer assessment of the proposed CEO Agreement and incentives. BDO opined that the fixed remuneration is less than the market median and the performance incentives are consistent with the market median.

Principal Terms of the CEO Agreement

Mr. Clode and the Company executed the CEO Agreement effective 1 July 2019. The following are the principal terms of the CEO Agreement:

1. Commencement date: The Agreement commences effective as of July 1, 2019;
2. Term: The Agreement continues until termination in accordance with the Agreement;
3. Termination: The Agreement terminates immediately for cause; without cause by the Company on 6 months’ written notice; and by Mr. Clode on 4 months’ written notice;
4. Termination Pay: The remuneration payable to Mr. Clode on termination, if any, is limited to an amount calculated in accordance with section 200G of the Corporations Act 2001 (Cth);
5. Change of Control: In the event of a Change of Control in the Company, Mr. Clode will receive a lump sum payment equivalent to 12 month’s Base Salary and the full value of any performance bonuses shall be deemed to be fully vested (provided that such value together with all other remuneration paid to Mr. Clode does not exceed the amount calculated pursuant to section 200G of the Corporations Act 2001 (Cth));
6. Base salary: CAD\$216,000.00;

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7. Commencement options: 2,500,000 unquoted options in RGI striking at \$0.3225 with two-year expiry and 2,500,000 unquoted options in RGI striking at \$0.4300 with three-year expiry;

8. Performance-based bonuses associated with RGI's revenue and growth:

- i) The Company to secure A\$5,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2020. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- ii) The Company to secure A\$10,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2021. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- iii) The Company to secure A\$20,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2022. Consideration to be paid: 2,000,000 performance rights in RGI converting to Shares.
- iv) Finalisation of the Company's first joint venture perishable food / fresh produce agreement leading to first orders of no less than 100 8' Hydroponic Rotational Garden and future equity distribution or royalty payments between the date of this Agreement and December 31, 2020. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- v) Acquisition of an industry synergistic opportunity or strategic partnership in a related market which includes, perishable food, lawful cannabis, pharmaceutical, nutraceutical, growing management services, nutrients, tissue culture (micropropagation) or other supporting faculty of hydroponic growing between the date of this Agreement and December 31, 2021. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.

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- vi) Development of the first lawful cannabis production facility owned by the Company (or an entity such as a partnership or joint venture of which the Company owns no less than 50% of interest) leading to first revenues of the partnership or joint venture from the sale of lawful cannabis between the date of this Agreement and December 31, 2022 of no less than AUD\$10,000,000.00. Consideration to be paid: 2,000,000 performance rights in RGI converting to Shares.

Non-Executive Chairman, Michael Carli states, "We are extremely pleased that Mr. Adam Clode has executed his employment agreement, confirming his appointment as our Chief Executive Officer. His wealth of experience in delivering successful projects in different industries and countries around the world, we are set to ensure that RotoGro delivers its commercial strategy that Adam has had a leading role in shaping over the last six months. I am very pleased with the results of our due diligence and the comprehensive analysis of the market and CEO peers completed by BDO Australia. The Board believes that the terms of the CEO Agreement, including the key performance incentives, are consistent with similar CEO employment compensation packages in our market. We look ahead to the Company's future successes with Adam at the helm, as we continue to strive to deliver exceptional results and value to our shareholders".

--ENDS--

For more information please contact

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About Roto-Gro International Limited

Roto-Gro International Limited is an Australian-based company with global operations focused on the cultivation of lawful cannabis and perishable food (produce) which take advantage of its proprietary, patented, and patents-pending technology in the stackable rotary hydroponic garden space.

The Company has collaborated with Gibio Inc. and Freshero Pty Ltd. These ventures leverage RotoGro's patented rotational hydroponic garden systems, crop management fertigation hardware and proprietary software systems to produce greater yields and lower operating costs. In addition, the Company has entered into a Share Purchase Agreement to acquire all the issued and outstanding shares in the capital stock of Supra THC Services Inc. which holds a Dealer's License issued by Health Canada for lawful cannabis.

RotoGro's wholly owned subsidiary, Global Fertigation Solutions Inc. ("GFS"), provides a patent-pending specialized business line for water treatment and nutrient management in the viticulture, perishable foods and lawful cannabis space. GFS has successfully provided design solutions, installations and ongoing service contracts for licensed lawful cannabis facilities in the State of Nevada, USA and is embarking on expanding this offering globally.

The Company continues its focus on expanding into industry synergistic opportunities; exploring strategic partnerships in related markets which include, perishable food (produce) partnerships, lawful cannabis license ownership, growing management services, industry leading nutrients, emerging tissue culture (micropropagation) expertise and other supporting faculties of hydroponic growing.

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Roto-Gro International Limited

ABN

84 606 066 059

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- 1 +Class of +securities issued or to be issued

Options
Performance Rights

- 2 Number of +securities issued or to be issued (if known) or maximum number which may be issued

- a) 2,500,000 options exercisable at \$0.3225 on or before 15 August 2021
- b) 2,500,000 options exercisable at \$0.43 on or before 15 August 2022
- c) 1,000,000 Class A CEO Performance Rights
- d) 1,000,000 Class B CEO Performance Rights
- e) 2,000,000 Class C CEO Performance Rights
- f) 1,000,000 Class D CEO Performance Rights
- g) 1,000,000 Class E CEO Performance Rights
- h) 2,000,000 Class F CEO Performance Rights

- | | |
|--|--|
| <p>3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p> | <p>a) 2,500,000 options exercisable at \$0.3225 on or before 15 August 2021</p> <p>b) 2,500,000 options exercisable at \$0.43 on or before 15 August 2022</p> <p>c) The CEO Performance Rights will convert into shares on a one for one basis, upon the achievement of the following milestones:</p> <p>Class A: vesting on A\$5,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2020.</p> <p>Class B: vesting on A\$10,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2021.</p> <p>Class C: vesting on A\$20,000,000 in cumulative contracted new sales and existing revenues &/or royalties; derived from all subsidiaries between the date of this Agreement and December 31, 2022.</p> <p>Class D: vesting on finalisation of the Company's first joint venture perishable food / fresh produce agreement leading to first orders of no less than 100 8' Hydroponic Rotational Garden and future equity distribution or royalty payments between the date of this Agreement and December 31, 2020.</p> <p>Class E: vesting on acquisition of an industry synergistic opportunity or strategic partnership in a related market which includes, perishable food, lawful cannabis, pharmaceutical, nutraceutical, growing management services, nutrients, tissue culture (micropropagation) or other supporting faculty of hydroponic growing between the date of this Agreement and December 31, 2021.</p> <p>Class F: vesting on development of the first lawful cannabis production facility owned by the Company (or an entity such as a partnership or joint venture of which the Company owns no less than 50% of interest) leading to first revenues of the partnership or joint venture from the sale of lawful cannabis between the date of this Agreement and December 31, 2022 of no less than AUD\$10,000,000.00.</p> |
|--|--|

+ See chapter 19 for defined terms.

		The options and performance rights are otherwise issued in accordance with terms and conditions set out in the Company's Employee Incentive Plan.
4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>a) No – however upon exercise of options into shares, those new shares will rank equally with the fully paid ordinary shares currently on issue.</p> <p>b) No – however on satisfaction of the milestone for each of Classes A - F, the CEO Performance Rights will automatically convert into shares on a one for one basis, and those new shares issued on conversion will rank equally with the fully paid ordinary shares currently on issue.</p>
5	Issue price or consideration	Nil – issued as part of remuneration package for CEO
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Issue of options and performance rights as part of remuneration package for CEO, pursuant to the employment agreement
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	28 February 2019
6c	Number of +securities issued without security holder approval under rule 7.1	Nil
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of +securities issued under an exception in rule 7.2	<p>The following securities have been issued under the Company's Employee Incentive Plan:</p> <ul style="list-style-type: none"> a) 2,500,000 options exercisable at \$0.3225 on or before 15 august 2021 b) 2,500,000 options exercisable at \$0.43 on or before 15 august 2022 c) 1,000,000 Class A CEO Performance Rights d) 1,000,000 Class B CEO Performance Rights e) 2,000,000 Class C CEO Performance Rights f) 1,000,000 Class D CEO Performance Rights g) 1,000,000 Class E CEO Performance Rights h) 2,000,000 Class F CEO Performance Rights
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer to Annexure 1

+ See chapter 19 for defined terms.

7	<p>⁺Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	15 August 2019
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		Number	+Class
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	119,875,881	Ordinary fully paid shares
		Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	10,000,000	Ordinary fully paid shares – Escrowed until 28 March 2020
		9,000,000	Class C Performance Rights
		9,000,000	Class D Performance Rights
		1,000,000	Class A Hanson Performance Shares
		1,000,000	Class B Hanson Performance Shares
		1,000,000	Class C Hanson Performance Shares
		2,000,000	Class D Hanson Performance Shares
		9,186,360	Class A Roto-Gro Inc Performance Shares
		9,186,360	Class B Roto-Gro Inc Performance Shares
		1,000,000	Class A CEO Performance Rights
		1,000,000	Class B CEO Performance Rights
		2,000,000	Class C CEO Performance Rights
		1,000,000	Class D CEO Performance Rights
		1,000,000	Class E CEO Performance Rights
		2,000,000	Class A CEO Performance Rights
		2,950,000	Options exercisable at \$0.65 on or before 15 January 2020
		2,500,000	Options exercisable at \$0.3225 on or before 15 August 2021
		2,500,000	Options exercisable at \$0.43 on or before 15 August 2022

- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Part 2 - Pro rata issue

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the +securities will be offered
- 14 +Class of +securities to which the offer relates
- 15 +Record date to determine entitlements
- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has security holders who will not be sent new offer documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue

+ See chapter 19 for defined terms.

24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	
25	If the issue is contingent on security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do security holders sell their entitlements <i>in full</i> through a broker?	
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do security holders dispose of their entitlements (except by sale through a broker)?	
33	+Issue date	

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) ☐ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of +securities for which +quotation is sought
- 39 +Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?
- If the additional +securities do not rank equally, please state:
- 1) the date from which they do
 - 2) the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 - 3) the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
-

+ See chapter 19 for defined terms.

41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another ⁺security, clearly identify that other ⁺security)</p>	
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42	Number and ⁺ class of all ⁺ securities quoted on ASX (<i>including</i> the ⁺ securities in clause 38)	Number	⁺ Class

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 15 August 2019
(Company Secretary)

Print name: David Palumbo

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	83,786,501
Add the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	12,000,000 Ordinary fully paid shares under \$4.56m share placement - shareholder ratification obtained at the AGM held on 28 February 2019 5,000,000 Ordinary fully paid shares issued to Hanson - shareholder ratification obtained at the AGM held on 28 February 2019 2,430,000 Ordinary fully paid shares issued for Supra transaction - shareholder ratification obtained at the AGM held on 28 February 2019 10,000,000 Ordinary fully paid shares issued for the Roto-Gro Inc acquisition - shareholder approval obtained at the AGM held on 28 February 2019 15,000,000 Ordinary fully paid shares - shareholder approval obtained at the AGM held on 28 February 2019
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	128,216,501

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	19,232,475
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 Note: <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	1,659,380 Ordinary fully paid shares – issued 3 May 2019
“C”	1,659,380
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	19,232,475
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	1,659,380
Total [“A” x 0.15] – “C”	17,573,095 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	128,216,501
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	12,821,650
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	12,821,650
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	12,821,650 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.