



ROTOGRO

# Roto-Gro International Limited

ABN 84 606 066 059

## Interim Financial Report and Appendix 4D

31 December 2019

### Registered and Business Office

Level 4, 100 Albert Road  
South Melbourne VIC 3205  
T: +61 3 9692 7245  
F: +61 3 9077 9233  
E: [info@rotogro.com.au](mailto:info@rotogro.com.au)

### 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)

### Chief Financial Officer

Melanie Leydin

### Company Secretary

Melanie Leydin



**Roto-Gro International Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Roto-Gro International Limited
ABN:	84 606 066 059
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	646.5% to	868,690
Loss from ordinary activities after tax attributable to the owners of Roto-Gro International Limited	up	61.1% to	(3,434,772)
Loss for the half-year attributable to the owners of Roto-Gro International Limited	up	61.1% to	(3,434,772)

*Dividends*

There were no dividends paid, recommended or declared during the current financial period.

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$3,434,772 (31 December 2018: \$2,131,667).

Included in this figure is share based payments expense of \$651,689 (December 2018: NIL), as well as depreciation and amortisation expense of \$576,008 (December 2018: \$325,070).

A summary of the consolidated entities activity during the period is as follows:

- Acquisition of majority interest in Canadian Lawful Cannabis Cultivation Licensee, Medicinal Compassion Canni Farms Inc. (closing subject to conditions);
  - Negotiations of terms for the RotoGro-Freshero Joint Venture Agreement for a fully automated, flagship perishables cultivation and processing facility in Australia;
  - Non-binding Term Sheet signed with Rotary Garden Systems SDN BHD for a joint venture pertaining to a lawful cannabis cultivation operation in Thailand led by its wholly-owned subsidiary, Cannagenix SDN BHD;
  - Completion of a placement, successfully raising \$2,282,000 (before transaction costs);
  - Statement of Claim issued against RavenQuest BioMed Inc. and others for patent infringement.
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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.93</u>	<u>2.70</u>

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**4. Control gained over entities**

No new control gained over entities during the period. The company is in the process of acquisition of majority interest in Canadian Lawful Cannabis Cultivation Licensee, Medicinal Compassion Canni Farms Inc.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

There were no dividends paid, recommended or declared during the current financial period.

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

All foreign entities of the consolidated entity report under International Financial Reporting Standards.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Report of Roto-Gro International Limited for the half-year ended 31 December 2019 is attached.

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**Roto-Gro International Limited**  
**Appendix 4D**  
**Half-year report**

**12. Signed**

Signed 

Date: 27 February 2020

Michael Carli  
Non-Executive Chairman

# **Roto-Gro International Limited**

**ABN 84 606 066 059**

**Interim Report - 31 December 2019**

**Roto-Gro International Limited**  
**Corporate directory**  
**31 December 2019**

Directors	Mr Michael Carli (Non-Executive Chairman) Mr Michael Slater (Non-Executive Director) Mr Michael Di Tommaso (Executive Director and Chief Operations Officer) Mr Terry Gardiner (Non-Executive Director) Mr Jamie Myers (Non-Executive Director)
Chief Executive Officer	Adam Clode
Company secretary / CFO	Melanie Leydin
Registered office / principal place of business	Level 4, 100 Albert Road South Melbourne VIC 3205
Share register	Computershare Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505 Fax: +61 03 9473 2500 Website: <a href="https://www.computershare.com/au/Pages/contact-us.aspx">https://www.computershare.com/au/Pages/contact-us.aspx</a>
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000
Stock exchange listing	Roto-Gro International Limited shares are listed on the Australian Securities Exchange (ASX code: RGI)
Website	<a href="https://www.rotogro.com/">https://www.rotogro.com/</a>

**Roto-Gro International Limited**  
**Directors' report**  
**31 December 2019**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Roto-Gro International Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

**Directors**

The following persons were directors of Roto-Gro International Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Michael Carli (Non-Executive Chairman)  
Mr Michael Slater (Non-Executive Director)  
Mr Michael Di Tommaso (Executive Director and Chief Operations Officer)  
Mr Terry Gardiner (Non-Executive Director)  
Mr Jamie Myers (Non-Executive Director)

**Principal activities**

The principal activity of the consolidated entity during the financial period was the production and sale of patented and proprietary hydroponic Rotational Garden Systems ("RotoGro Garden Systems") and the sale and production of advanced automated nutrient delivery and water management systems ("Fertigation Systems").

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$3,434,772 (31 December 2018: \$2,131,667).

Included in this figure is share based payments expense of \$651,689 (December 2018: NIL), as well as depreciation and amortisation expense of \$576,008 (December 2018: \$325,070).

A summary of the consolidated entities activity during the period is included in the Appendix 4D attached.

**Significant changes in the state of affairs**

On 1 July 2019 Roto-Gro International Limited announced the appointment of Mr Adam Clode as Chief Executive Officer. On this date Roto-Gro International Limited also announced the resignation of Mr David Palumbo and Mr Nathan Lude as Non-Executive Directors.

On 2 July 2019 Roto-Gro International Limited announced the expiry of 250,000 unquoted options, due for expiry on 30 June 2019.

On 17 July 2019 Roto-Gro International Limited announced the appointment of Ms Melanie Leydin as the Chief Financial Officer.

On 15 August 2019 Roto-Gro International Limited announced issue of 5,000,000 options and 8,000,000 performance rights expiring on various dates from 31 December 2020 to 31 December 2022 to Adam Clode, Chief Executive Officer.

On 3 September 2019 Roto-Gro International Limited announced the appointment of Ms Melanie Leydin as the Company Secretary.

On 31 October 2019 Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of Roto-Gro International Limited, announced that it had entered into a conditional Share Purchase Agreement for the acquisition of 51% of the issued common shares in the capital stock of Medicinal Compassion Canni Farms Inc. ("CanniFarms"), an applicant for Health Canada cannabis cultivation and processing licenses (currently in late stages of the application process) for CAD \$6,850,000 (CAD \$100,000 Cash and CAD \$6,750,000 in RotoGro Shares issued at CAD\$0.225).

**Roto-Gro International Limited**  
**Directors' report**  
**31 December 2019**

On 4 November 2019 Roto-Gro Inc., a wholly-owned subsidiary of Roto-Gro International Limited, filed a Statement of Claim in the Federal Court of Canada against RavenQuest BioMed Inc. ("RavenQuest"), CL2G Consulting ("CL2G"), Synergy Solutions Management ("Synergy"), 1052543 B.C. Ltd., and William George Robinson ("Robinson") for the infringement of RotoGro's Canadian Patent for its Stackable Modular Rotatable Gardening System, Patent No. 2,908,184 (the "Patent"). The Patent was granted to RotoGro by the Canadian Intellectual Property Office on 22 October 2019. The Patent gives RotoGro the exclusive right, privilege and liberty to make, construct, use, and sell to others to be used, its proprietary Stackable Modular Rotatable Gardening System, as described in the Patent (the "RotoGro Patented Gardening System") for a period of 20 years from the Patent's filing date.

On 28 November 2019 Roto-Gro International Limited announced it had signed a non-binding term sheet (the "Term Sheet") with Rotary Garden Systems SDN BHD for the business operated by its wholly owned subsidiary Cannagenix SDN BHD ("Cannagenix") in Thailand. The Term Sheet provides for technology sales, growing management services and a net profit share from the proposed commercial operations of Cannagenix at Suan Sunandha Rajabhat University in Bangkok, Thailand.

On 31 December 2019 Roto-Gro International Limited announced the issue of the following:

- 565,000 fully paid ordinary shares to Employees of the Company under the Employee Incentive Scheme at a deemed issue price of \$0.12 (12 cents) per share;
- 218,605 fully paid ordinary shares to consultants of the Company for Corporate Advisory Services at a deemed issue price of \$0.215 (21.5 cents) per share in accordance with Agreement dated 1 February 2019 between the parties; and
- 18,256,000 fully paid ordinary shares to institutional and sophisticated investors at \$0.125 (12.5 cents) per share.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Matters subsequent to the end of the financial half-year**

On 3 January 2020 Roto-Gro International Limited announced that as of Monday 6 January 2020, the Company's share registry services will move from Link Market Services to Computershare Limited.

On 26 February 2020, the Roto-Gro International Limited announced the execution of a mutual release to the Share Purchase Agreement with Valens Groworks Corporation over the purchase all of the issued common shares in the capital stock of Supra THC Services Inc.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Carli  
Non-Executive Chairman

Date: 27 February 2020



**RSM Australia Partners**

Level 32, Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100

F +61 (0) 8 92619111

[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Roto-Gro International Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 27 February 2020

**Roto-Gro International Limited**

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**Roto-Gro International Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	868,690	116,361
Other income	4	119,794	3,557
<b>Expenses</b>			
Cost of goods sold		(1,084,110)	(89,721)
Design and innovation expense		(273,311)	-
Business development expense		(231,286)	(223,585)
Operational costs		(5,330)	-
Depreciation expense		(158,149)	(43,266)
Amortisation expense		(417,859)	(281,804)
Share based payments expense		(651,689)	-
Research and development expenses		(207,728)	(141,448)
Corporate and administration expenses		(1,393,794)	(1,471,761)
<b>Loss before income tax expense</b>		(3,434,772)	(2,131,667)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Roto-Gro International Limited</b>		(3,434,772)	(2,131,667)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		17,053	29,318
Other comprehensive income for the half-year, net of tax		17,053	29,318
<b>Total comprehensive income for the half-year attributable to the owners of Roto-Gro International Limited</b>		(3,417,719)	(2,102,349)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(2.64)	(2.17)
Diluted earnings per share		(2.64)	(2.17)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Roto-Gro International Limited**  
**Statement of financial position**  
**As at 31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December</b>	<b>30 June 2019</b>
		<b>2019</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,417,219	3,008,940
Trade and other receivables		159,900	289,688
Inventories		932,942	868,654
Other current assets		100,153	80,630
<b>Total current assets</b>		<u>3,610,214</u>	<u>4,247,912</u>
<b>Non-current assets</b>			
Other financial assets		461,306	459,147
Property, plant and equipment		970,084	838,095
Right-of-use assets	5	392,846	-
Intangibles	6	18,113,826	18,531,684
<b>Total non-current assets</b>		<u>19,938,062</u>	<u>19,828,926</u>
<b>Total assets</b>		<u>23,548,276</u>	<u>24,076,838</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		735,406	842,235
Lease liabilities	7	143,744	-
Employee benefits		17,099	55,307
Other current liabilities		1,006,597	1,145,167
<b>Total current liabilities</b>		<u>1,885,846</u>	<u>2,042,709</u>
<b>Non-current liabilities</b>			
Lease liabilities	8	284,468	-
<b>Total non-current liabilities</b>		<u>284,468</u>	<u>-</u>
<b>Total liabilities</b>		<u>2,170,314</u>	<u>2,042,709</u>
<b>Net assets</b>		<u>21,377,962</u>	<u>22,034,129</u>
<b>Equity</b>			
Issued capital	9	28,828,664	26,893,742
Reserves	10	6,976,731	6,102,983
Accumulated losses		<u>(14,427,433)</u>	<u>(10,962,596)</u>
<b>Total equity</b>		<u>21,377,962</u>	<u>22,034,129</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Roto-Gro International Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2019**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payment reserve</b> <b>\$</b>	<b>Foreign currency translation reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2018	16,181,939	1,991,678	45,243	(4,790,755)	13,428,105
Loss after income tax expense for the half-year	-	-	-	(2,131,667)	(2,131,667)
Other comprehensive income for the half-year, net of tax	-	-	29,318	-	29,318
Total comprehensive loss for the half-year	-	-	29,318	(2,131,667)	(2,102,349)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	5,016,269	-	-	-	5,016,269
Share-based payments	-	646,000	-	-	646,000
Balance at 31 December 2018	<u>21,198,208</u>	<u>2,637,678</u>	<u>74,561</u>	<u>(6,922,422)</u>	<u>16,988,025</u>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payment reserve</b> <b>\$</b>	<b>Foreign currency translation reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2019	26,893,742	5,974,768	128,215	(10,962,596)	22,034,129
Adjustment for change in accounting policy	-	-	-	(30,065)	(30,065)
Balance at 1 July 2019 - restated	26,893,742	5,974,768	128,215	(10,992,661)	22,004,064
Loss after income tax expense for the half-year	-	-	-	(3,434,772)	(3,434,772)
Other comprehensive income for the half-year, net of tax	-	-	17,053	-	17,053
Total comprehensive loss for the half-year	-	-	17,053	(3,434,772)	(3,417,719)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	1,934,922	-	-	-	1,934,922
Share-based payments	-	856,695	-	-	856,695
Balance at 31 December 2019	<u>28,828,664</u>	<u>6,831,463</u>	<u>145,268</u>	<u>(14,427,433)</u>	<u>21,377,962</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Roto-Gro International Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2019**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	976,227	104,868
Payments to suppliers and employees (inclusive of GST)	<u>(3,581,508)</u>	<u>(2,367,011)</u>
	(2,605,281)	(2,262,143)
Interest received	<u>3,473</u>	<u>3,557</u>
Net cash used in operating activities	<u>(2,601,808)</u>	<u>(2,258,586)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(225,479)	(201,837)
Payments for deposit for acquisition of subsidiary	<u>-</u>	<u>(214,984)</u>
Net cash used in investing activities	<u>(225,479)</u>	<u>(416,821)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	2,282,000	2,059,105
Share issue transaction costs	(1,967)	(287,890)
Repayment of lease liabilities	<u>(66,362)</u>	<u>-</u>
Net cash from financing activities	<u>2,213,671</u>	<u>1,771,215</u>
Net decrease in cash and cash equivalents	(616,616)	(904,192)
Cash and cash equivalents at the beginning of the financial half-year	3,008,940	2,843,623
Effects of exchange rate changes on cash and cash equivalents	<u>21,895</u>	<u>16,595</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,417,219</u></u>	<u><u>1,956,026</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 1. General information**

The financial statements cover Roto-Gro International Limited as a consolidated entity consisting of Roto-Gro International Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Roto-Gro International Limited's functional and presentation currency.

Roto-Gro International Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road  
South Melbourne VIC 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2020.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 2. Significant accounting policies**

	1 July 2019
	\$
Operating lease commitments as at 1 July 2019 (AASB 17)	466,288
Operating lease commitments discounted based on the weighted average incremental borrowing rate of 5.45% (AASB 16)	<u>(37,189)</u>
Right of use assets (AASB 16)	<u>429,099</u>
Lease liabilities - current (AASB 16)	(197,537)
Lease liabilities – non-current (AASB 16)	<u>(261,627)</u>
Impact on opening accumulated losses at 1 July 2019	<u>(30,065)</u>

*Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated or amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

*Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Going concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The consolidated entity incurred a loss of \$3,434,772 (December 2018: \$2,131,667) and net cash outflow from operating activities of \$2,601,808 for the half-year ended 31 December 2019 (December 2018: outflow of \$2,258,586).

The ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the consolidated entity to generate sufficient cash inflows from operations, by raising additional capital from equity markets and managing cash flows in line with available funds.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



## **Note 2. Significant accounting policies**

The Board believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate for it to adopt the going concern basis in the preparation of the financial report after consideration of following factors:

- As per the budget for the forthcoming 12 months, the consolidated entity is expected to make a profit in the 12 months from the date of issue of the financial statements;
- Included in other current liabilities, is an amount of \$1,006,597 relating to income received in advance from customers which will be recognised as revenue during the next financial year along with the related costs of earning that revenue. The contract liability will unwind when the goods are delivered by the consolidated entity during the year ended 30 June 2020;
- The company has the ability to issue additional equity securities under the Corporations Act 2001 to raise further working capital; and
- The consolidated entity has the ability to curtail corporate and administration expenses and overhead cash outflows as and when required.

Accordingly, the Board believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

## **Note 3. Operating segments**

### *Identification of reportable operating segments*

The consolidated entity has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The consolidated entity operates across the agricultural industry providing technology and cultivation solutions for advanced indoor hydroponic growing applications.

The main geographic areas that the entity operates in are Australia, USA and Canada. The consolidated entity has operations in USA and Canada. The parent entity is registered in Australia. The entity's intangible assets are maintained in Mauritius.

The following tables present revenue, expenditure and certain asset and liability information regarding geographical segments.

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 3. Operating segments (continued)**

*Operating segment information*

	Australia \$	Canada \$	Mauritius \$	USA \$	Total \$
<b>Consolidated - 31 December 2019</b>					
<b>Revenue</b>					
Sales to external customers	-	649,753	-	218,937	868,690
Interest Income	62	-	-	2,743	2,805
Intersegment Revenue	-	116,989	-	-	116,989
<b>Total revenue</b>	<b>62</b>	<b>766,742</b>	<b>-</b>	<b>221,680</b>	<b>988,484</b>
<b>EBITDA</b>					
Depreciation and amortisation	(1,101,536)	(645,138)	(787,591)	(298,499)	(2,832,764)
	-	(158,149)	(417,859)	-	(576,008)
<b>Loss before income tax expense</b>	<b>(1,101,536)</b>	<b>(829,287)</b>	<b>(1,205,450)</b>	<b>(298,499)</b>	<b>(3,434,772)</b>
Income tax expense					-
<b>Loss after income tax expense</b>					<b>(3,434,772)</b>
<b>Assets</b>					
Segment assets	21,668,193	2,267,599	138	358,761	24,294,691
Intersegment eliminations					(746,415)
<b>Total assets</b>					<b>23,548,276</b>
<b>Liabilities</b>					
Segment liabilities	583,682	8,430,174	815,578	757,083	10,586,517
Intersegment eliminations					(8,416,203)
<b>Total liabilities</b>					<b>2,170,314</b>
<b>Consolidated - 31 December 2018</b>					
<b>Revenue</b>					
Sales to external customers	-	83,930	-	32,431	116,361
Interest income	3,557	-	-	-	3,557
<b>Total revenue</b>	<b>3,557</b>	<b>83,930</b>	<b>-</b>	<b>32,431</b>	<b>119,918</b>
<b>EBITDA</b>					
Depreciation and amortisation	(626,154)	(1,018,502)	(7,805)	(154,136)	(1,806,597)
	-	(43,266)	(220,603)	(61,201)	(325,070)
<b>Loss before income tax expense</b>	<b>(626,154)</b>	<b>(1,061,768)</b>	<b>(228,408)</b>	<b>(215,337)</b>	<b>(2,131,667)</b>
Income tax expense					-
<b>Loss after income tax expense</b>					<b>(2,131,667)</b>
<b>Consolidated - 30 June 2019</b>					
<b>Assets</b>					
Segment assets	1,011,714	6,125,981	18,537,036	320,783	25,995,514
Intersegment eliminations					(1,918,676)
<b>Total assets</b>					<b>24,076,838</b>
<b>Liabilities</b>					
Segment liabilities	148,971	11,445,344	46,074	349,132	11,989,521
Intersegment eliminations					(9,946,812)
<b>Total liabilities</b>					<b>2,042,709</b>

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers		
Sale of goods	868,690	99,199
Rendering of services	-	17,162
	<u>868,690</u>	<u>116,361</u>

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Forgiveness of loan payable	116,989	-
Interest income	2,805	3,557
	<u>119,794</u>	<u>3,557</u>

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Roto-Gro Units	649,753	77,927
Fertigation Unit Components	218,937	21,272
Professional services	-	17,162
	<u>868,690</u>	<u>116,361</u>

For the periods ended 31 December 2019 and 2018, all revenue was recognised when the good or service transferred at a point in time.

**Note 5. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	429,099	-
Less: Accumulated depreciation	(67,861)	-
	<u>361,238</u>	-
Motor vehicles - right-of-use	32,286	-
Less: Accumulated depreciation	(678)	-
	<u>31,608</u>	-
	<u>392,846</u>	-

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 6. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Intellectual property - at cost	17,358,001	17,358,000
Less: Accumulated amortisation	<u>(1,464,276)</u>	<u>(1,114,263)</u>
	<u>15,893,725</u>	<u>16,243,737</u>
Patents and trademarks - at cost	2,422,532	2,422,532
Less: Accumulated amortisation	<u>(202,431)</u>	<u>(134,585)</u>
	<u>2,220,101</u>	<u>2,287,947</u>
	<u><u>18,113,826</u></u>	<u><u>18,531,684</u></u>

*Intellectual property*

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 to 25 years.

*Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

**Note 7. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>143,744</u>	<u>-</u>

**Note 8. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>284,468</u>	<u>-</u>

**Note 9. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December</b>	<b>30 June 2019</b>	<b>31 December</b>	<b>30 June 2019</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>148,965,486</u>	<u>129,875,881</u>	<u>28,828,664</u>	<u>26,893,742</u>

**Roto-Gro International Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 9. Equity - issued capital (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2019	129,875,881		26,893,742
Shares issued to consultant	17 September 2019	50,000	\$0.1800	9,000
Shares issued to employees	31 December 2019	565,000	\$0.1200	67,800
Shares issued to consultants	31 December 2019	218,605	\$0.2150	47,000
Share issued to institutional sophisticated investors	31 December 2019	18,256,000	\$0.2150	2,282,000
Less Capital Raising Costs		-	-	(470,878)
Balance	31 December 2019	<u>148,965,486</u>		<u>28,828,664</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 10. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2019</b>
	<b>2019</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	145,268	128,215
Share-based payments reserve	<u>6,831,463</u>	<u>5,974,768</u>
	<u>6,976,731</u>	<u>6,102,983</u>

**Note 10. Equity - reserves (continued)**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Share based payment reserve</b>		
Opening balance	5,974,768	1,991,678
Share-based payments	17,000	30,000
Issuance of performance shares	134,873	3,953,090
Issuance of options	751,822	-
Transfer to issued capital	(47,000)	-
	<u>6,831,463</u>	<u>5,974,768</u>
Closing balance		

*Foreign currency translation reserve*

Exchange differences relating to the translation of the results and net assets of the consolidated entity's foreign operations from their functional currencies to the consolidated entity's presentation currency (i.e., Australian dollars) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

*Share-based payments reserve*

The share-based payment reserve is used to recognize the fair value of options granted to suppliers and employees, as well as for funds raised for the issue of options and the fair value of performance shares issued as consideration for acquisitions.

**Note 11. Contingent assets and liabilities**

The company does not have any contingent liabilities at 31 December 2019 (31 December 2018: NIL).

**Note 12. Events after the reporting period**

On 3 January 2020 Roto-Gro International Limited announced that as of Monday 6 January 2020, the Company's share registry services will move from Link Market Services to Computershare Limited.

On 26 February 2020, the Roto-Gro International Limited announced the execution of a mutual release to the Share Purchase Agreement with Valens Groworks Corporation over the purchase all of the issued common shares in the capital stock of Supra THC Services Inc.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Roto-Gro International Limited**  
**Directors' declaration**  
**31 December 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Carli  
Non-Executive Chairman

Date: 27 February 2020

**RSM Australia Partners**

Level 32, Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100  
F +61 (0) 8 92619111

[www.rsm.com.au](http://www.rsm.com.au)

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ROTO-GRO INTERNATIONAL LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Roto-Gro International Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Roto-Gro International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Roto-Gro International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Material uncertainty related to going concern*

We draw attention to Note 2, which indicates that the consolidated entity incurred a loss of \$3,434,772 and had net cash outflows from operating activities of \$2,601,808 for the half-year ended 31 December 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

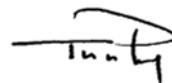
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Roto-Gro International Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature of 'RSM' in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu Phong'.

TUTU PHONG  
Partner

Perth, WA  
Dated: 27 February 2020