



ROTOGRO

Roto-Gro International Limited

ABN 84 606 066 059

Annual Report and Appendix 4E

30 June 2020



1. Company details

Name of entity:	Roto-Gro International Limited
ABN:	84 606 066 059
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	27.5%	to	904,135
Loss from ordinary activities after tax attributable to the owners of Roto-Gro International Limited	up	157.2%	to	(15,876,155)
Loss for the year attributable to the owners of Roto-Gro International Limited	up	157.2%	to	(15,876,155)

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 \$15,876,155 (30 June 2019: \$6,171,841).

Refer to the directors report for additional commentary over the results for the period.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.004	2.697

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Name of entities (or group of entities)	Global Fertigation Solutions
Date control lost	23 June 2020

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(262,695)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	(155,160)

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

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

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Roto-Gro International Limited for the year ended 30 June 2020 is attached.

12. Signed

Signed 

Date: 31 August 2020

Michael Carli
Non-Executive Chairman

Roto-Gro International Limited

Contents

30 June 2020



Corporate directory	1
Directors' report	2
Auditor's independence declaration	16
Statement of profit or loss and other comprehensive income	17
Statement of financial position	19
Statement of changes in equity	20
Statement of cash flows	21
Notes to the financial statements	22
Directors' declaration	56
Independent auditor's report to the members of Roto-Gro International Limited	57
Shareholder information	61

Directors	Mr Michael Carli (Non-Executive Chairman) 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 and CFO	Melanie Leydin
Notice of annual general meeting	The time and other details relating to the Annual General Meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to the ASX immediately after dispatch.
Registered office / principal place of business:	Level 4, 100 Albert Road South Melbourne VIC 3205
Share register	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Telephone 61 3 9415 5000 Facsimile 61 3 9473 2500 Website: https://www.computershare.com/au/Pages/contact-us.aspx
Auditors	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	https://www.rotogro.com/
Corporate Governance Statement	The 2020 Corporate Governance Statement can be found online at the location below https://www.rotogro.com/corporate-governance/

The Board of Directors ('the Board') present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') 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 year ended 30 June 2020.

Directors

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

Michael Carli (Non-Executive Chairman)
Michael Di Tommaso (Executive Director and Chief Operations Officer)
Terry Gardiner (Non-Executive Director)
Jamie Myers (Non-Executive Director)
Michael Slater (Non-Executive Director) (resigned 28 February 2020)

Principal activities

The principal activity of the group 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 year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$15,876,155 (30 June 2019: \$6,171,841), which includes a non-cash impairment expense of \$10,103,005, of which \$9,663,108 is related to the impairment of intellectual property and patents held, reducing intangible assets to \$8,037,401 (2019: \$18,531,684).

Production and Sales Pipeline

The Company continues to develop the existing sales pipeline for both lawful cannabis and perishable foods. However, the adverse impact of the COVID-19 pandemic on the flow of goods and commerce arising from the unprecedented border closures and travel restrictions has resulted in numerous sales leads being put on hold. The Company is focussed on maintaining healthy commercial relationships with prospective customers until these adverse impacts become more manageable.

The Company has several proposed technology sale and purchase agreements currently with customers for review, along with numerous new sales leads into the United States of America and the United Kingdom. Although these leads are highly prospective, it is not guaranteed these proposals will convert into sales orders and growing management contracts. Nonetheless, we are optimistic about converting these proposed transactions into sales as we continue to work diligently with new and existing customers at varying stages of their development.

Research & Development

The RotoGro's research team have continued progress on cannabis cultivation, with specific focus on product quality and consistency. The yield and quality optimisation trials of our RotoGro Systems continue to exceed anticipated outcomes, with RotoGro's Plant Science Team cultivating strains with consistently high yields and superior cannabinoid properties.

Perishable food-growing research continues to progress well, building on the existing database. The research team have optimised leafy green products utilising RotoGro's proprietary LED lighting solution, which has proven to significantly lower overall cultivation costs by reducing power consumption. Trials for additional product lines continue: bok choy, peppers, and snacking cucumbers have been added to the existing leaf green and strawberry data. The resulting cost of production for each product line is proving extremely competitive and, in most cases, less expensive than the cost of conventional farming.

The next phase of research and testing will include stress tests of the automated loading and unloading system for the fully automated facilities, including crops in the grow rooms.

Engineering Design & Innovation

The Company continues its development work on the 7 foot rotational gardens incorporating a fully automated loading and unloading engineering solution integrated into downstream existing harvesting and packhouse technology and operations. The Company built and installed an array of 6 functioning 7-foot perishables garden systems, stacked 2 high, complete with an automated loading and unloading system. The automated pilot facility has allowed the RotoGro engineering team to examine clash checks, serviceability, and optimisation. Our engineering team continue their focus on the automated software. As we move into the new financial year, the Company will run the pilot facility and software through stress testing, reliability and serviceability tests.

Administration

The Company previously issued and served a Statement of Claim for patent infringement against RavenQuest BioMed Inc. (CSE:RQB) ("RavenQuest"), George Robinson, and others. RavenQuest subsequently served RotoGro with its Statement of Defence and Counterclaim, to which RotoGro responded by filing its Reply to the Statement of Defence and its Statement of Defence to the Counterclaim. RavenQuest did not respond to RotoGro's Reply or Defence to Counterclaim. RotoGro has agreed with RavenQuest and the other defendants to both a bifurcation order and a protective order to streamline this process. The parties previously agreed to exchange Affidavit of Documents in May 2020. However, with the impact of COVID-19, this deadline was extended to August 2020. The Company remains confident that its claim for patent infringement will be successful.

The patents for our Stackable Modular Rotatable Gardening System in Europe have been awarded, complimenting the Company's existing patents in Canada and the United States (these patents are in addition to the Company's patent for the full rotational garden system in the United States). An application for the patent of the Stackable Modular Rotatable Gardening System has also been lodged in Australia. The Company continues to work diligently in the prosecution of this patent application.

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).

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 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.

On 21 January 2020 Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of Roto-Gro International Limited announced that Oakum Cannabis Corporation, formerly Frozen Penguin Medical Industries Inc., has harvested its first large scale commercial lawful cannabis crops, cultivated with 48 of its recently installed and commissioned RotoGro Rotational Hydroponic Garden Systems.

On 26 February 2020 Roto-Gro International Limited announced the execution and delivery of a mutual release pertaining to the Share Purchase Agreement with Valens Groworks Corporation to purchase all of the issued common shares in the capital stock of Supra THC Services Inc. Thus, terminating the Share Purchase Agreement and absolving each other of any future responsibilities or liabilities relating to the Supra Transaction. Accordingly, there will not be a cash payment of \$2,000,000 or an issuance of 16,000,000 shares in the capital stock of the Company to Valens.

On 2 March 2020 Roto-Gro International Limited announced that Mr Michael Slater has tendered his resignation as Director of the Company, effective 28 February 2020.

On 13 March 2020 Roto-Gro International Limited announced that it will release of 10,000,000 Fully Paid Ordinary Shares from escrow on 28 March 2020.

On 24 March 2020 Roto-Gro International Limited announced the implementation of austerity measures to ensure business continuity through COVID-19 disruption. These include, but not limited to, Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of Roto-Gro International Limited implementing an operational plan which includes the immediate reduction of workforce to essential personnel only. Furthermore, the Board of Directors, Executive Management team, and remaining essential employees agreed to salary reductions and fee deferments.

On 5 May 2020 Roto-Gro Inc., a wholly-owned subsidiary of Roto-Gro International Limited announced the confirmation of the grant of a European patent for its Stackable Modular Rotatable Gardening System, Solidifying their global competitive advantage and providing a foothold into the Europe marketplace for indoor vertical farming.

On 29 June 2020 Roto-Gro International Limited announced the lapse of 9,000,000 Class C Performance Rights as they have not met their performance conditions.

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 16 July 2020 Roto-Gro International Limited announced the lapse of 1,000,000 Class A Hanson Performance Shares as they have not met their performance conditions.

On 4 August 2020 Roto-Gro International Limited announced the execution of two Convertible Securities Agreements with Obsidian Global GP, LLC (Obsidian) for the investment by Obsidian of a total of up to AU\$1.25 million in the Company in two tranches in exchange for convertible notes issued by the Company, convertible into RGI fully paid ordinary shares. The funds raised are to be used for the Company's general corporate and working capital purposes required at the time. The first tranche amounting to \$250,000 has been received by the date of this report.

No other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Board believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The Board are mindful of the regulatory regime in relation to the impact of the organisation's activities on the environment. There have been no known breaches of any environmental regulation by the company during the financial year

Information on directors

Name:	Mr Michael Carli
Title:	Non-Executive Chairman
Experience and expertise:	Mr. Carli is a highly experienced lawyer specialising in corporate, commercial and intellectual property law for more than 30 years in the Greater Toronto Area, Canada. Mr. Carli holds a Bachelor of Arts degree from York University and a Juris Doctor degree from the University of Western Ontario Faculty of Law. Mr. Carli is currently a Director of Easter Seals Ontario, a charity assisting children with physical disabilities, and was previously Chairman of Villanova College, a private secondary school in King City, Ontario. He is a member of various professional organizations including the Law Society of Ontario, the American Bar Association and the Intellectual Property Institute of Canada. Mr. Carli has played an integral role in RotoGro since its inception in 2015, including its successful Initial Public Offering in February 2017 and leading the company to date as Managing Director. He brings great leaderships qualities to the RotoGro Team and a balanced approach to the company's ongoing commercialisation plans.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	2,425,000 ordinary shares
Interests in options:	None
Interests in rights:	911,250 performance shares
Contractual rights to shares:	None
Name:	Mr Michael Di Tommaso
Title:	Executive Director and Chief Operating Officer
Experience and expertise:	Mr. Di Tommaso is an executive specialising in Canada's evolving cannabis legislation. Mr. Di Tommaso holds a Bachelor of Arts degree in Criminal Justice and a Juris Doctor degree from the University of Ottawa Faculty of Law. He started his legal career in criminal and regulatory law before moving to the burgeoning lawful cannabis sector. Mr. Di Tommaso has hands-on experience in the contractual, legal and regulatory compliance for lawful cannabis licensing, providing him with an in-depth knowledge of the regulatory and operational requirements for the cultivation, processing, and sale of lawful cannabis. Mr. Di Tommaso started his role at RotoGro in 2018 as Operations Manager - Cultivation and now takes on the expanded role of Executive Director and Chief Operations Officer. His attention to corporate governance and passion for legal process provide a sound base for leading the operational aspects of the business as the company fulfils the aspirations of cultivation of lawful cannabis and fresh produce.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	300,000 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name: Mr Terry Gardiner
Title: Non-Executive Director
Experience and expertise: Mr. Terry Gardiner has more than 20 years' experience in capital markets, stockbroking and derivatives trading including numerous years trading in equities. Mr. Gardiner is currently a Director of the stockbroking firm Barclay Wells Limited and a Non-executive Director of Cazaly Resources Limited, Galan Lithium Limited & Cazaly Resources Limited (ASX:CAZ), Galan Lithium Limited (ASX:GLN) and Affinity Energy and Health Limited.
Mr. Gardiner was an integral contributor to RotoGro's successful IPO and has been a valuable adviser to the company over the past three years. The company welcomes his addition to the Board as we move forward in executing the company's strategy driving shareholder value.

Other current directorships: Cazaly Resources Limited (ASX:CAZ), Galan Lithium Limited (ASX:GLN) and Affinity Energy and Health Limited (ASX:AEB)

Former directorships (last 3 years): None
Interests in shares: 98,054 ordinary shares
Interests in options: None
Interests in rights: 225,000 performance rights
Contractual rights to shares: None

Name: Mr Jamie Myers
Title: Non-Executive Director
Experience and expertise: Mr. Jamie Myers has extensive experience in financial services, specifically in equity advisory, funds management and corporate finance. He is currently an Associate Director with Baker Young Stockbrokers in Adelaide and previously co-founded Northern Territory based stockbroking firm, iiZen Equities Pty Ltd which was bought out in 2011. Mr. Myers is also a Non-Executive Director of Winmar Resources Ltd and Resources Base Ltd.

Other current directorships: Winmar Resources Ltd (ASX:WFE) and Resources Base Ltd (ASX:RBX).

Former directorships (last 3 years): None
Interests in shares: 100,000 ordinary shares
Interests in options: None
Interests in rights: None
Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary and CFO

Ms Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board Attended	Held
Michael Carli	13	13
Michael Slater	7	7
Michael Di Tommaso	12	13
Terry Gardiner	13	13
Jamie Myers	13	13

Held: represents the number of meetings held during the time the director held office.

At the date of this report, the Remuneration, Nomination and Audit and Risk Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

Given the small size of the Board (five directors), it was not considered practical to establish a committee of the Board as a Remuneration Committee. Accordingly the full Board is responsible for determining and reviewing compensation arrangements for the directors and executives. Any Director with a personal interest in a remuneration matter is excused from participating in those discussions and resulting decisions. It is the intention of the Board to establish a Remuneration Committee once the size of the group increases.

The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality director and executive team.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Objective

The Board aims to set aggregate remuneration at a level that provides the group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The company's Constitution specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The maximum currently stands at \$500,000 per annum. The remuneration of non-executive directors for the financial year ended 30 June 2020 is detailed in the table below. As non-executive director(s) are not expected to be involved in the performance of the company to the same degree as executive director(s) it is not considered appropriate for their remuneration to be dependent on the satisfaction of performance criteria.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Performance based short-term incentives ('STI') may be provided to executives to align the targets of the business with the targets of those executives responsible for meeting those targets

The long-term incentives ('LTI') include long service leave and share-based payments. Shares and options may be awarded to executives based on long-term incentive measures including increasing shareholder value. Share based LTIs issued to an Executive Director are subject to shareholder approval. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2020.

Use of remuneration consultants

During the financial year ended 30 June 2020, the company did not engage the services of independent remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs (2019: NIL).

Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Roto-Gro International Limited:

- Michael Carli (Non-Executive Chairman)
- Michael Di Tommaso (Executive Director and Chief Operations Officer)
- Terry Gardiner (Non-Executive Director)
- Jamie Myers (Non-Executive Director)
- Michael Slater (Non-Executive Director) (resigned 28 February 2020)

And the following person:

- Adam Clode (Chief Executive Officer) (appointed 1 July 2019)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
30 June 2020							
<i>Non-Executive Directors:</i>							
Terry Gardiner*	48,000	-	-	3,420	-	-	51,420
Jamie Myers**	48,000	-	-	-	-	-	48,000
<i>Executive Directors:</i>							
Michael Carli (Chairman)***	79,973	-	-	-	-	-	79,973
Michael Slater****	52,461	-	-	-	-	-	52,461
Michael Di Tommaso	166,611	-	-	-	-	-	166,611
<i>Other Key Management Personnel:</i>							
Adam Clode*****	159,546	-	-	15,955	-	464,349	639,850
	554,591	-	-	19,375	-	464,349	1,038,315

* Includes \$12,000 of Director fees related to April 2020 to June 2020 which were deferred as part of COVID 19 austerity measures.

** Includes \$12,000 of Director fees related to April 2020 to June 2020 which were deferred as part of COVID 19 austerity measures.

*** Includes \$26,658 (CAD 24,000) of Director fees related to March 2020 to June 2020 which were deferred as part of COVID 19 austerity measures.

**** Michael Slater resigned as a Director on 28 February 2020.

***** Includes \$119,960 (CAD 108,000) of total deferred salary for the reporting period, related to September 2019 to December 2019 (\$80,373) and January 2020 to June 2020 (\$39,586) and \$11,955 (CAD 10,800) of Post-employment benefits. Mr. Clode's base salary was CAD\$216,000 to December 2019 and he accepted a salary reduction of 66% of his base salary starting January 2020 as part of COVID 19 austerity measures.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
30 June 2019							
<i>Non-Executive Directors:</i>							
David Palumbo*	40,000	-	-	-	-	-	40,000
Julian Atkinson**	32,000	-	-	-	-	-	32,000
<i>Executive Directors:</i>							
Michael Carli (Chairman)	132,797	-	-	-	-	-	132,797
Michael Slater	72,656	-	-	-	-	-	72,656
Nathan Lude***	16,000	-	-	1,520	-	-	17,520
<i>Other Key Management Personnel:</i>							
Adam Clode****	291,464	-	-	-	-	-	291,464
	584,917	-	-	1,520	-	-	586,437

* Mr Palumbo resigned as a Director 30 June 2019.

** Mr Lude was appointed as a Director on 28 February 2019 and resigned as a Director on 30 June 2019.

*** Mr Atkinson resigned as a Director on 28 February 2019.

**** Mr Clode was appointed as a Chief Executive Officer on 1 July 2019.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>Non-Executive Directors:</i>						
Terry Gardiner	100%	-	-	-	-	-
Jamie Myers	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Michael Carli	100%	100%	-	-	-	-
Michael Slater	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Adam Clode	27%	100%	-	-	73%	-

Service agreements

Michael Carli

Mr Michael Carli has worked for the group in an executive capacity as Managing Director since his appointment on 16 August 2016. Under the terms of the executive agreement, Mr Carli's remuneration package is currently CAD 48,000 per annum. Mr Carli is also employed as the Chief Executive Officer and President of Roto-Gro World Wide (Canada) Inc (RWWC). Mr Carli's remuneration package for this role is CAD 72,000 per annum. Mr Carli's employment agreement with RWWC may be terminated voluntarily by providing four weeks written notice. Mr Carli's employment with RWWC may be terminated by Roto-Gro International Limited without cause by providing six months written notice. In the event of termination without cause by Roto-Gro International Limited, Mr Carli is entitled to receive three months base salary as a termination severance payment, payable within 7 days after the date of termination. The company may otherwise terminate his employment immediately for cause (e.g. serious misconduct). In the event of a change of control of Roto-Gro International Limited, Mr Carli may within 30 days of learning of the change of control give notice of his intention to leave as an employee and is entitled to a Severance payment equal to three months of base salary, in addition to any unpaid salary and bonus remuneration and any other entitlement owing.

Terry Gardiner

Mr Terry Gardiner's role as a non-executive director is formalised in the form of a service agreement with the group. The engagement has no fixed term but ceases on his resignation or removal as a director in accordance with the Corporations Act 2001. Mr Gardiner is currently entitled to receive directors' fees of \$48,000 per annum plus 9.5% statutory minimum Superannuation.

Jamie Myers

Mr Jamie Myers's role as a non-executive director is formalised in the form of a service agreement with the group. The engagement has no fixed term but ceases on his resignation or removal as a director in accordance with the Corporations Act 2001. Mr Myers is currently entitled to receive directors' fees of \$48,000 per annum.

Adam Clode (appointed 1 July 2019 as Chief Executive Officer)

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 to December 2019. Mr. Clode accepted a salary reduction of 66% of his base salary starting January 2020.
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:

Item	Condition	Consideration
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.	1,000,000 performance rights
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.	1,000,000 performance rights
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.	2,000,000 performance rights
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.	1,000,000 performance rights
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.	1,000,000 performance rights
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.	2,000,000 performance rights

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Adam Clode	2,500,000	15 August 2019	15 August 2021	0.3225	0.0521
Adam Clode	2,500,000	15 August 2019	15 August 2021	0.4300	0.0571

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Value of Options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Adam Clode	273,000	-	-	43%

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Grant date	Expiry date	Granted	Vested	Balance at the end of the year	Fair value per Right Granted
Adam Clode	15 August 2019	31 December 2020	1,000,000	-	1,000,000	0.18
Adam Clode	15 August 2019	31 December 2021	1,000,000	-	1,000,000	0.18
Adam Clode	15 August 2019	31 December 2022	2,000,000	-	2,000,000	0.18
Adam Clode	15 August 2019	31 December 2020	1,000,000	-	1,000,000	0.18
Adam Clode	15 August 2019	31 December 2021	1,000,000	-	1,000,000	0.18
Adam Clode	15 August 2019	31 December 2022	2,000,000	-	2,000,000	0.18

Additional information

The earnings of the consolidated entity for the four years to 30 June 2020 are summarised below:

	2020 \$	2019 \$	2018 \$	2017 \$
Sales revenue	678,596	1,139,840	464,055	3,276
EBITDA	(14,277,614)	(5,425,860)	(2,728,708)	(843,156)
Loss after income tax	(15,876,155)	(6,171,841)	(3,191,738)	(1,011,923)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017
Share price at financial year end (\$)	0.05	0.16	0.36	0.35
Basic earnings per share (cents per share)	(11.20)	(4.80)	(3.82)	(2.37)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Michael Carli	2,425,000	-	-	-	2,425,000
Adam Clode	375,000	-	-	-	375,000
Michael Di Tommaso	300,000	-	-	-	300,000
Terry Gardiner	98,054	-	-	-	98,054
Jamie Myers	100,000	-	-	-	100,000
	<u>3,298,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,298,054</u>

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Adam Clode	-	5,000,000	-	-	5,000,000
	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>

Performance shares

The number of performance shares held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at start of year	Additions	Disposals / other	Balance at end of year
Michael Carli	911,250	-	-	911,250
Terry Gardiner	225,000	-	-	225,000
Adam Clode	-	8,000,000	-	8,000,000
	<u>1,136,250</u>	<u>8,000,000</u>	<u>-</u>	<u>9,136,250</u>

Loans to key management personnel and their related parties

There are no loans to directors or executives at reporting date (30 June 2019: Nil).

Other transactions with key management personnel and their related parties

During the year ended 30 June 2020 the following related party transaction occurred:

Baker Young Stockbrokers Limited, a related entity of Jamie Myers, was paid \$72,600 (including GST) in advisory fees as well as \$150,612 (including GST) in capital raising costs relating to the \$2.3 million placement in December 2019. (30 June 2019: Nil).

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Roto-Gro International Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
15 August 2019	15 August 2021	\$0.320	2,500,000
15 August 2019	15 August 2022	\$0.430	2,500,000
24 December 2019	24 December 2021	\$0.320	8,000,000
24 December 2019	24 December 2021	\$0.320	3,650,000
			<u>16,650,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Roto-Gro International Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
6 February 2017	6 February 2022	9,000,000
28 February 2019	2 July 2021	1,000,000
28 February 2019	2 July 2022	1,000,000
28 February 2019	2 July 2023	2,000,000
28 March 2019	28 September 2020	9,186,360
28 March 2019	28 September 2021	9,186,360
15 August 2019	31 December 2020	1,000,000
15 August 2019	31 December 2021	1,000,000
15 August 2019	31 December 2022	2,000,000
15 August 2019	31 December 2020	1,000,000
15 August 2019	31 December 2021	1,000,000
15 August 2019	31 December 2022	2,000,000
		<u>39,372,720</u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Roto-Gro International Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Roto-Gro International Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

The Board is satisfied that the provision of non-audit services during the financial period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the financial year, \$1,000 was paid or payable to RSM Australia Partners for non-audit services (2019: \$750). Refer to Note 30.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

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.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Carli
Non-Executive Chairman

31 August 2020

RSM Australia Partners

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2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Roto-Gro International Limited for the year ended 30 June 2020, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2020

Roto-Gro International Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Revenue			
Sales revenue	5	678,596	719,104
Other income	5	288,078	5,239
Expenses			
Cost of goods sold	6	(1,036,651)	(1,374,365)
Design and innovation expense		(763,714)	(631,475)
Cultivation costs		-	(17,759)
Business development expense		(482,008)	(206,207)
Depreciation expense	16	(327,468)	(105,899)
Impairment expense	8	(10,103,005)	(1,339,984)
Amortisation expense	18	(831,176)	(640,081)
Share based payments expense	39	(708,167)	(120,000)
Research and development expenses		(382,851)	(291,047)
Corporate and administration expenses	7	(1,945,094)	(1,853,910)
Other expenses		-	(160,297)
Loss before income tax expense from continuing operations		(15,613,460)	(6,016,681)
Income tax expense	9	-	-
Loss after income tax expense from continuing operations		(15,613,460)	(6,016,681)
Loss after income tax expense from discontinued operations	10	(262,695)	(155,160)
Loss after income tax expense for the year attributable to the owners of Roto-Gro International Limited		(15,876,155)	(6,171,841)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Derecognition of foreign currency reserve		76,281	-
Foreign currency translation		(30,821)	82,972
Other comprehensive income for the year, net of tax		45,460	82,972
Total comprehensive income for the year attributable to the owners of Roto-Gro International Limited		<u>(15,830,695)</u>	<u>(6,088,869)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(15,568,000)	(5,933,709)
Discontinued operations		(262,695)	(155,160)
		<u>(15,830,695)</u>	<u>(6,088,869)</u>

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 profit or loss and other comprehensive income
For the year ended 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Roto-Gro International Limited			
Basic earnings per share	38	(11.20)	(5.98)
Diluted earnings per share	38	(11.20)	(5.98)
Earnings per share for loss from discontinued operations attributable to the owners of Roto-Gro International Limited			
Basic earnings per share	38	(0.19)	(0.15)
Diluted earnings per share	38	(0.19)	(0.15)
Earnings per share for loss attributable to the owners of Roto-Gro International Limited			
Basic earnings per share	38	(11.39)	(6.13)
Diluted earnings per share	38	(11.39)	(6.13)

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 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	11	345,524	3,008,940
Trade and other receivables	12	37,991	289,688
Inventories	13	624,643	868,654
Other current assets	14	176,085	80,630
Total current assets		<u>1,184,243</u>	<u>4,247,912</u>
Non-current assets			
Other financial assets	15	-	459,147
Plant and equipment	16	1,033,727	838,095
Right-of-use assets	17	319,760	-
Intangibles	18	8,037,401	18,531,684
Total non-current assets		<u>9,390,888</u>	<u>19,828,926</u>
Total assets		<u>10,575,131</u>	<u>24,076,838</u>
Liabilities			
Current liabilities			
Trade and other payables	19	648,183	842,235
Lease liabilities	20	143,788	-
Employee benefits	21	50,754	55,307
Other current liabilities	22	520,715	1,145,167
Total current liabilities		<u>1,363,440</u>	<u>2,042,709</u>
Non-current liabilities			
Lease liabilities	23	210,917	-
Total non-current liabilities		<u>210,917</u>	<u>-</u>
Total liabilities		<u>1,574,357</u>	<u>2,042,709</u>
Net assets		<u>9,000,774</u>	<u>22,034,129</u>
Equity			
Issued capital	24	28,807,975	26,893,742
Reserves	25	7,061,615	6,102,983
Accumulated losses		<u>(26,868,816)</u>	<u>(10,962,596)</u>
Total equity		<u>9,000,774</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 year ended 30 June 2020



Consolidated	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
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 year	-	-	-	(6,171,841)	(6,171,841)
Other comprehensive income for the year, net of tax	-	-	82,972	-	82,972
Total comprehensive income for the year	-	-	82,972	(6,171,841)	(6,088,869)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	10,711,803	-	-	-	10,711,803
Share-based payments (note 39)	-	3,983,090	-	-	3,983,090
Balance at 30 June 2019	<u>26,893,742</u>	<u>5,974,768</u>	<u>128,215</u>	<u>(10,962,596)</u>	<u>22,034,129</u>
Consolidated	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
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 year	-	-	-	(15,876,155)	(15,876,155)
Other comprehensive income for the year, net of tax	-	-	45,460	-	45,460
Total comprehensive income for the year	-	-	45,460	(15,876,155)	(15,830,695)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	1,867,233	-	-	-	1,867,233
Transfer to issued capital	47,000	(47,000)	-	-	-
Share-based payments (note 25)	-	960,172	-	-	960,172
Balance at 30 June 2020	<u>28,807,975</u>	<u>6,887,940</u>	<u>173,675</u>	<u>(26,868,816)</u>	<u>9,000,774</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 year ended 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,132,377	994,094
Payments to suppliers and employees (inclusive of GST)		(3,467,373)	(3,447,776)
Payments for product manufacturing		(2,013,931)	(1,750,092)
Government grant received		170,264	5,240
Interest received		1,493	-
Net cash used in operating activities	37	(4,177,170)	(4,198,534)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(23,003)
Payments for property, plant and equipment	16	(415,535)	(452,737)
Net cash disposed of on disposal of subsidiary	10	(565)	-
Payments for financial and other assets		-	(265,945)
Net cash used in investing activities		(416,100)	(741,685)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		2,119,239	5,066,749
Repayment of lease liabilities		(159,391)	-
Net cash from financing activities		1,959,848	5,066,749
Net increase/(decrease) in cash and cash equivalents		(2,633,422)	126,530
Cash and cash equivalents at the beginning of the financial year		3,008,940	2,843,623
Effects of exchange rate changes on cash and cash equivalents		(29,994)	38,787
Cash and cash equivalents at the end of the financial year	11	<u>345,524</u>	<u>3,008,940</u>

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

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 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 31 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, 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.

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:

	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)	(37,189)
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><u>(30,065)</u></u>

Note 2. Significant accounting policies (continued)

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

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.

As disclosed in the financial statements, the group incurred a loss of \$15,876,155 and had net cash outflows from operating activities of \$4,177,170 and investing activities \$416,100 respectively for the year ended 30 June 2020. As at that date the group had net current liabilities of \$179,197.

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

These factors indicate a material uncertainty which may cast significant doubt as to whether the group 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.

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:

Note 2. Significant accounting policies (continued)

- the group is expected to trade profitably in the 12 months from the date of issue of the financial statements, based on its current budget;
- Included in other current liabilities (note 22), is an amount of \$520,715 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 2021;
- As announced on 4 August 2020, the group has signed a convertible securities agreement under which the investor has committed to invest up to \$1.25 million, of which \$250,000 had been received by the date of this report.
- The consolidated entity 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.

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 group does not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Roto-Gro International Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Roto-Gro International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the year in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting year. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the company losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future years in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Note 2. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020.

Comparative Information

Certain balances in statement of profit or loss and other comprehensive income and statement of financial position for the financial year ended 30 June 2019 have been restated for comparative purposes.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 39 for further information.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 4. Operating segments

Identification of reportable operating segments

The group 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 group 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 group has operations in USA and Canada. The parent entity is registered in Australia. The group's intangible assets are maintained in Mauritius.

The following tables present revenue, expenditure and certain asset and liability information regarding geographical segments for the years ended 30 June 2020 and 2019:

Operating segment information

Consolidated - 30 June 2020	Australia \$	Canada \$	Mauritius \$	USA* \$	Total \$
Revenue					
Sales to external customers	-	678,596	-	225,539	904,135
Interest income	371	-	-	-	371
Other revenue	10,000	277,707	-	-	287,707
Total revenue	<u>10,371</u>	<u>956,303</u>	<u>-</u>	<u>225,539</u>	<u>1,192,213</u>
EBITDA	(1,467,202)	(2,479,074)	(10,508,540)	(262,695)	(14,717,511)
Depreciation and amortisation	-	(327,468)	(831,176)	-	(1,158,644)
Loss before income tax expense	<u>(1,467,202)</u>	<u>(2,806,542)</u>	<u>(11,339,716)</u>	<u>(262,695)</u>	<u>(15,876,155)</u>
Income tax expense					-
Loss after income tax expense					<u>(15,876,155)</u>
Assets					
Segment assets	234,977	2,302,615	8,037,539	-	10,575,131
Total assets					<u>10,575,131</u>
Liabilities					
Segment liabilities	184,318	10,232,565	872,101	-	11,288,984
Intersegment eliminations					(9,714,627)
Total liabilities					<u>1,574,357</u>

Note 4. Operating segments (continued)

Consolidated - 30 June 2019	Australia \$	Canada \$	Mauritius \$	USA \$	Total \$
Revenue					
Sales to external customers	-	857,553	-	415,496	1,273,049
Intersegment sales	-	(138,448)	-	-	(138,448)
Total sales revenue	-	719,105	-	415,496	1,134,601
Interest income	4,456	783	-	-	5,239
Total revenue	4,456	719,888	-	415,496	1,139,840
EBITDA	(2,588,534)	(2,682,167)	-	(155,160)	(5,425,861)
Depreciation and amortisation	-	(105,899)	(640,081)	-	(745,980)
Loss before income tax expense	(2,588,534)	(2,788,066)	(640,081)	(155,160)	(6,171,841)
Income tax expense					-
Loss after income tax expense					(6,171,841)
Assets					
Segment assets	1,011,714	6,125,981	18,537,036	320,783	25,995,514
Intersegment eliminations					(1,918,676)
Total assets					24,076,838
Liabilities					
Segment liabilities	148,971	11,445,344	46,074	349,132	11,989,521
Intersegment eliminations					(9,946,812)
Total liabilities					2,042,709

**Operations in the USA were dissolved on 23 June 2020.*

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated 30 June 2020 \$	30 June 2019 \$
Revenue from contracts with customers		
Sale of goods	678,596	719,104
Other Revenue		
Interest income (a)	371	5,260
Government Grants (b)	170,264	-
Gain on forgiveness of debts (c)	117,443	-
	288,078	5,260

(a) Interest Income

Interest income relate to interest on bank accounts balances.

Note 5. Revenue (continued)

(b) Government Grants

During the year ended 30 June 2020 the consolidated entity received \$170,264 of COVID-19 related government grants. This include \$10,000 in Cash flow Boost payments in Australia and \$160,264 in emergency wage subsidy in Canada.

(c) Gain on forgiveness of debts

Relates to the historical loan held by subsidiary Roto-Gro Inc with Barry Gallant. The loan has been forgiven as a part of the purchase of Roto-Gro Inc by Roto-Gro International Limited.

	Consolidated	
	30 June 2020	30 June 2019
Disaggregation of revenue		
Roto-Gro unit sales	678,596	719,104
Total revenue from continuing operations	<u>678,596</u>	<u>719,104</u>

For the periods ended 30 June 2020 and 2019, all revenue was recognized when the good or service transferred at a point in time.

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract (based on terms of the contract) to provide services is recognised at the point upon delivery of the service to the customer or over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

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

Other revenue

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

Note 6. Cost of goods sold

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Costs of operations	312,727	505,245
Other operating costs	-	35,805
Rent and utility costs	-	257,768
Employee benefit expense	652,989	536,643
Travel and entertainment	70,935	38,904
	<u>1,036,651</u>	<u>1,374,365</u>
Total operational costs	<u>1,036,651</u>	<u>1,374,365</u>

Note 7. Corporate and administrative costs

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Employee benefits expense	370,810	575,259
Travel and entertainment costs	63,162	328,309
Professional fees	198,855	243,784
Legal expense	243,282	171,743
Consultants – corporate advisory and investor relations	584,339	416,307
Other administration expenses	484,646	118,508
	<u>1,945,094</u>	<u>1,853,910</u>
Total corporate and administrative expenses	<u>1,945,094</u>	<u>1,853,910</u>

Note 8. Impairment expense

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Write off deposit to Supra THC	-	1,339,984
Write off investment in Gibio	439,897	-
Impairment of intangible assets (Note 18)	9,663,108	-
	<u>10,103,005</u>	<u>1,339,984</u>
	<u>10,103,005</u>	<u>1,339,984</u>

During the year ended 30 June 2020 RotoGro and Gibio entered into a Settlement Agreement to disband the investment in Gibio. Per this Settlement Agreement Gibio agreed to pay RotoGro the initial investment of CAD\$375,000 and the monies paid for the cash call of CAD\$46,818 for a total settlement value of CAD\$421,818 by March 20, 2020 in return for RotoGro's share certificate.

Gibio failed to settle the amount owing pursuant to the Settlement Agreement and RotoGro exhausted all efforts in attempting to collect from Gibio the outstanding amounts owed. As a result, the investment in Gibio was fully written off during the year ended 30 June 2020.

During the year ended 30 June 2019, the consolidated entity paid a deposit relating to the acquisition of Supra THC amounting to \$1,339,984. As the acquisition was not finalised and as the deposit is not refundable it was written-off to profit or loss under impairment expenses during the year ended 30 June 2019.

Refer to note 18 for details of the impairment of intangible assets.

Note 9. Income tax expense

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(15,613,460)	(6,016,681)
Loss before income tax expense from discontinued operations	(262,695)	(155,160)
	<u>(15,876,155)</u>	<u>(6,171,841)</u>
Tax at the statutory tax rate of 30%	(4,762,847)	(1,851,552)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	3,441,626	555,583
Temporary differences not brought to account	(68,108)	12,525
Tax losses carried forward	1,389,329	1,283,444
Income tax expense	<u>-</u>	<u>-</u>
	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Deductible temporary differences	(95,386)	(160,002)
Revenue losses	2,714,576	1,325,247
Total deferred tax assets not recognised	<u>2,619,190</u>	<u>1,165,245</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Availability of Tax Losses

The availability of the tax losses for future years is uncertain and will be dependent on the Company satisfying strict requirements with respect to continuity of ownership and the same business test imposed by income tax legislation. The recoupment of available tax losses as at 30 June 2020 is contingent upon the following:

- (a) the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (b) the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- (c) there being no changes in income tax legislation which would adversely affect the Company from realising the benefit from the losses.

Given the Company is currently in a loss making position, a deferred tax asset has not been recognised with regard to unused tax losses, as it has not been determined that the Company will generate sufficient taxable profit against which the unused tax losses can be utilised.

Note 10. Discontinued operations

Voluntary Administration of Global Fertigation Solutions

During the year ended 30 June 2020, the directors of Roto-Gro International Limited placed the 100% owned subsidiary company Global Fertigation Solutions into Voluntary Administration, with the dissolution being finalised on 23 June 2020. Accordingly has been treated as a discontinued operation.

The net results of the entity for the periods ended 30 June 2019 and 30 June 2020 have been reclassified into the discontinued operations line on the statement of profit or loss and other comprehensive income. No adjustment has been made to the statement of cash flows in either period as a result of the dissolution.

Note 10. Discontinued operations (continued)

Financial performance information

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
Fertigation sales	225,539	415,497
Other Income	2,797	-
Cost of goods sold	(389,061)	(291,874)
Corporate and administration expenses	(229,533)	(278,783)
Total expenses	<u>(618,594)</u>	<u>(570,657)</u>
Loss before income tax expense	(390,258)	(155,160)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense	<u>(390,258)</u>	<u>(155,160)</u>
Gain on disposal before income tax	127,563	-
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax expense	<u>127,563</u>	<u>-</u>
Loss after income tax expense from discontinued operations	<u><u>(262,695)</u></u>	<u><u>(155,160)</u></u>

Cash flow information

	Consolidated
	30 June 2020
	\$
Net cash used in operating activities	(267,625)
Net cash from investing activities	<u>216,034</u>
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(51,591)</u></u>

Carrying amounts of assets and liabilities disposed

	Consolidated
	30 June 2020
	\$
Cash and cash equivalents	565
Inventories	289,938
Property, plant and equipment	5,930
Total assets	<u>296,433</u>
Trade and other payables	16,268
Contract liabilities	481,879
Other liabilities	2,130
Total liabilities	<u>500,277</u>
Net liabilities	<u><u>(203,844)</u></u>

Note 10. Discontinued operations (continued)

Breakdown of gain on disposal before income tax

	Consolidated 30 June 2020 \$
Carrying amount of net liabilities disposed	203,844
Derecognition of foreign currency reserve	<u>(76,281)</u>
Gain on disposal before income tax	<u>127,563</u>
Gain on disposal after income tax	<u><u>127,563</u></u>

Accounting policy for discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 11. Current assets - cash and cash equivalents

	Consolidated 30 June 2020	30 June 2019
	\$	\$
Cash at bank	<u>345,524</u>	<u>3,008,940</u>

Accounting policy for cash and cash equivalents

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

Note 12. Current assets - trade and other receivables

	Consolidated 30 June 2020	30 June 2019
	\$	\$
Trade receivables	-	41,677
Other receivables	<u>37,991</u>	<u>248,011</u>
	<u><u>37,991</u></u>	<u><u>289,688</u></u>

Accounting policy for trade and other receivables

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

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 13. Current assets - inventories

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Raw materials - at cost	560,676	698,493
Work in progress - at cost	63,967	162,542
Finished goods	-	7,619
	<u>624,643</u>	<u>868,654</u>

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 14. Current assets - other current assets

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Prepayments	<u>176,085</u>	<u>80,630</u>

Note 15. Non-current assets - other financial assets

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Unlisted ordinary shares	<u>-</u>	<u>459,147</u>

Refer to note 28 for further information on fair value measurement.

The company had invested CAD\$375,000 in return for 9.09% of Gibio Inc's (Gibio) fully paid ordinary shares on issue and exclusive manufacturing rights for all Gibio facilities worldwide for a period of 20 years. In the prior year, the company invested an additional CAD\$46,818 pursuant to a cash call made by Gibio Inc.

During the year ended 30 June 2020 RotoGro and Gibio entered into a Settlement Agreement to disband the investment in Gibio. Within this Settlement Agreement Gibio agreed to pay RotoGro the initial investment of CAD \$375,000 and the monies paid for the cash call of CAD\$46,818 for a total settlement value of CAD \$421,818 by March 20, 2020 in return for RotoGro's share certificate.

Gibio failed to settle the amount owing pursuant to the Settlement Agreement and RotoGro exhausted all efforts in attempting to collect from Gibio the outstanding amounts owed. As a result, the investment in Gibio was fully written off during the year ended 30 June 2020.

Reconciliation of the balance is as below

Note 15. Non-current assets - other financial assets (continued)

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Opening balance	459,147	383,789
Additions	-	49,674
Impairment	(439,897)	-
Effects of foreign exchange	(19,250)	25,684
	<u>-</u>	<u>459,147</u>

Note 16. Non-current assets - Plant and equipment

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Leasehold improvements	545,004	352,739
Less: Accumulated depreciation	(124,374)	(59,155)
	<u>420,630</u>	<u>293,584</u>
Motor vehicles - at cost	43,677	44,628
Less: Accumulated depreciation	(17,689)	(6,694)
	<u>25,988</u>	<u>37,934</u>
Computer equipment - at cost	70,047	57,235
Less: Accumulated depreciation	(19,012)	(5,240)
	<u>51,035</u>	<u>51,995</u>
Plant and equipment - at cost	685,343	515,061
Less: Accumulated depreciation	(149,269)	(60,479)
	<u>536,074</u>	<u>454,582</u>
	<u>1,033,727</u>	<u>838,095</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements	Plant and equipment	Motor vehicle	Computer equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	178,709	119,312	-	-	298,021
Additions	145,750	207,396	44,628	54,963	452,737
Additions through business combinations	-	169,778	-	1,236	171,014
Exchange differences	10,101	12,371	(200)	(50)	22,222
Transfers in/(out)	-	(923)	-	923	-
Depreciation expense	(40,975)	(53,352)	(6,495)	(5,077)	(105,899)
Balance at 30 June 2019	293,585	454,582	37,933	51,995	838,095
Additions	208,301	192,773	-	14,461	415,535
Disposals from discontinued operations	-	(5,930)	-	-	(5,930)
Exchange differences	(11,942)	(13,567)	(332)	(1,114)	(26,955)
Depreciation expense	(69,314)	(91,785)	(11,613)	(14,306)	(187,018)
Balance at 30 June 2020	<u>420,630</u>	<u>536,073</u>	<u>25,988</u>	<u>51,036</u>	<u>1,033,727</u>

Note 16. Non-current assets - Plant and equipment (continued)

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by the Board to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Depreciation

The depreciable amount of leasehold improvements is depreciated on a straight-line basis and plant and equipment is depreciated on a reducing-balance basis over their useful lives to the company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Leasehold improvements	20%
Plant and equipment	20-30%
Motor vehicle	30%
Computer equipment	20%-55%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 17. Non-current assets - right-of-use assets

	Consolidated 30 June 2020	Consolidated 30 June 2019
Motor Vehicles - right-of-use	32,286	-
Less: Accumulated depreciation	(4,626)	-
Less: Exchange differences	(572)	-
	<u>27,088</u>	<u>-</u>
Land and buildings - right-of-use	429,099	-
Less: Accumulated depreciation	(135,824)	-
Less: Exchange differences	(603)	-
	<u>292,672</u>	<u>-</u>
	<u><u>319,760</u></u>	<u><u>-</u></u>

Additions to the right-of-use assets during the year were \$461,385

Accounting policy for 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 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.

Note 17. Non-current assets - right-of-use assets (continued)

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.

Note 18. Non-current assets - intangibles

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Intellectual property - at cost	17,358,001	17,358,000
Less: Accumulated amortisation	(1,810,485)	(1,114,263)
Less: Impairment	(8,479,662)	-
	<u>7,067,854</u>	<u>16,243,737</u>
Patents and trademarks - at cost	2,422,532	2,422,532
Less: Accumulated amortisation	(269,539)	(134,585)
Less: Impairment	(1,183,446)	-
	<u>969,547</u>	<u>2,287,947</u>
	<u><u>8,037,401</u></u>	<u><u>18,531,684</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Intellectual property \$	Patent \$	Total \$
Balance at 1 July 2018	10,391,233	-	10,391,233
Additions through business combinations	6,358,000	2,422,532	8,780,532
Amortisation expense	(505,496)	(134,585)	(640,081)
Balance at 30 June 2019	16,243,737	2,287,947	18,531,684
Amortisation expense	(696,221)	(134,954)	(831,175)
Impairment expense	(8,479,662)	(1,183,446)	(9,663,108)
Balance at 30 June 2020	<u><u>7,067,854</u></u>	<u><u>969,547</u></u>	<u><u>8,037,401</u></u>

For the year ended 30 June 2020, the recoverable amount of the intangibles assets have been determined based on value-in-use calculations of the Roto-Gro group CGU, which uses cash flow projections based on financial forecasts covering a five-year period, including non-cash adjustments such as changes in working capital, depreciation and amortisation, and maintenance capital expenditure. Cash flows are extrapolated using estimated growth rates beyond the five-year period.

Key assumptions used in the value-in-use calculations for the Roto-Gro group CGU are based on management's latest forecast for financial years 2021 to 2025 and a combination of business case assumptions.

Revenue growth

Revenue growth over the five-year period is based upon forecasted revenue on a business-as-usual basis and assumes no new products or new geographies (in accordance with AASB 136); is in line with the processing capability and capacity of the business unit; is underpinned by estimated increases in volumes; and supported by modest market price increases to mitigate the cost increase. Average revenue growth over the forecast period is anticipated to be 194 per annum (6.7% per annum for the three years from financial year 2022 to financial year 2025).

Gross margins

Gross margins ranging from 25% to 46% were used for the value-in-use calculation.

Note 18. Non-current assets - intangibles (continued)

Other costs

Overall forecast costs are based on past performance incorporating recent restructure initiatives and implemented cost savings and management's expectations for the future.

Increase in other operating costs increased by an average of 7% over the forecast period.

Pre-tax discount rate

Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the group has applied a pre-tax discount rate of 23.8% per annum.

Review outcome

In completing the impairment review based on the aforementioned business-as-usual assumptions, the carrying value of goodwill for Roto-Gro International Limited was impaired by \$9,663,108.

Sensitivities

A change in the EBITDA margin by an average of 3% over the five-year forecast period would result in a \$11.81 million impact to the recoverable amount of the CGU compared to the carrying amount of goodwill; a change of 5% in revenue each year over the forecast period would result in a \$10.48 million impact to the recoverable amount; and a increase of 10% in the cost of purchases over the forecast period would result in a \$11.49 million impact to the recoverable amount. These sensitivities cover the key possible material impacts to the recoverable amount.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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 19. Current liabilities - trade and other payables

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Trade payables	234,014	617,423
Other payables	414,169	224,812
	<u>648,183</u>	<u>842,235</u>

Refer to note 27 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Note 20. Current liabilities - lease liabilities

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Lease liability	143,788	-

Note 21. Current liabilities - employee benefits

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Employee benefits	50,754	55,307

Accounting policy for employee benefits

Provision is made for the group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting year in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 22. Current liabilities - other current liabilities

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Contract liabilities	520,715	1,028,846
Other current liabilities	-	116,321
	520,715	1,145,167

Reconciliation of contract liabilities

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Opening balance	1,028,846	1,125,780
Payments received in advance	-	505,297
Amounts transferred to revenue (included in opening balance)	-	(667,289)
Foreign exchange difference	(26,252)	65,058
Contract liabilities of discontinued operations derecognised	(481,879)	-
Closing balance	520,715	1,028,846

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$520,715 as at 30 June 2020 (\$1,028,846 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

Note 22. Current liabilities - other current liabilities (continued)

	Consolidated 30 June 2020	Consolidated 30 June 2019
Within 6 months	-	-
6 to 12 months	520,715	1,028,846
12 to 18 months	-	-
18 to 24 months	-	-
	<u>520,715</u>	<u>1,028,846</u>

Accounting policy for contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 23. Non-current liabilities - lease liabilities

	Consolidated 30 June 2020	Consolidated 30 June 2019
	\$	\$
Lease liability	<u>210,917</u>	<u>-</u>

Accounting policy for 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.

Note 24. Equity - issued capital

	Consolidated			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>148,965,486</u>	<u>129,875,881</u>	<u>28,807,975</u>	<u>26,893,742</u>

Note 24. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	90,367,803		16,181,939
Shares issued - acquisition of Hanson Water Treatment	2 July 2018	5,000,000	\$0.380	1,900,000
Shares issued - institutional investor placement	3 October 2018	5,418,698	\$0.380	2,059,105
Shares issued - acquisition of Supra THC	7 December 2018	2,250,000	\$0.500	1,125,000
Shares issued - to advisors	7 December 2018	180,000	\$0.500	90,000
Shares issued - acquisition of Roto-Gro Inc and subsidiaries	28 March 2019	10,000,000	\$0.240	2,400,000
Shares issued - institutional investor placement	3 May 2019	16,659,380	\$0.210	3,581,766
Less capital raising costs		-	\$0.000	(444,068)
Balance	30 June 2019	129,875,881		26,893,742
Shares issued - Spark Plus (settlement of Invoice)	30 August 2019	50,000	\$0.180	9,000
Shares issued - institutional investor placement	20 December 2019	500,000	\$0.125	62,500
Shares issued - institutional investor placement	24 December 2019	872,613	\$0.125	109,076
Shares issued - institutional investor placement	31 December 2019	16,883,387	\$0.125	2,110,423
Shares issued - Bletchley Park Capital (settlement of Invoice)	31 December 2019	218,605	\$0.215	47,000
Shares issued - Employee Shares (for Overtime work)	31 December 2019	565,000	\$0.120	67,800
Less capital raising costs		-	\$0.000	(491,566)
Balance	30 June 2020	<u>148,965,486</u>		<u>28,807,975</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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the June 2019 Annual Report.

Note 24. Equity - issued capital (continued)

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 25. Equity - reserves

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Foreign currency reserve	173,675	128,215
Share-based payments reserve	6,887,940	5,974,768
	<u>7,061,615</u>	<u>6,102,983</u>
	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Share based payment reserve		
Opening balance	5,974,768	1,991,678
Share based payments	960,172	30,000
Transfer to issued capital upon issue of shares	(47,000)	-
Issuance of performance shares	-	3,953,090
	<u>6,887,940</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 group's foreign operations from their functional currencies to the group's presentation currency (i.e., Australian dollars) are recognised 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 recognise 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. Refer to note 39.

Note 26. Equity - dividends

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

Note 27. Financial instruments

Financial risk management objectives and policies

The group's principal financial instruments comprise receivables, payables and cash which arise directly from its operations. The Board has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

The main risks arising from the group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below

Note 27. Financial instruments (continued)

Risk Exposures and Responses

Foreign currency risk

The group is exposed to foreign exchange rate risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the group's functional currency.

The group's exposure to foreign currency risk at the reporting date was as follows (amounts are in AUD):

	AUD	2020 CAD	USD	AUD	2019 CAD	USD
Cash and cash equivalents	114,912	230,613	-	239,919	2,726,270	42,751
Trade and other receivables	11,941	26,050	-	34,400	211,717	43,571
Inventories	-	624,643	-	-	639,996	228,658
Other financial assets	-	-	-	-	459,147	-
Trade and other payables	(184,318)	(373,528)	(103,092)	(148,971)	(586,324)	(105,741)
	<u>(57,465)</u>	<u>507,778</u>	<u>(103,092)</u>	<u>125,348</u>	<u>3,450,806</u>	<u>209,239</u>
		AUD / CAD change Effect on profit before tax	Effect on equity		AUD / USD change Effect on profit before tax	Effect on equity
Consolidated - 30 June 2020	% change			% change		
Cash and cash equivalents	10%	23,061	23,061	10%	-	-
Trade and other receivables	10%	2,605	2,605	10%	-	-
Inventories	10%	62,464	62,464	10%	-	-
Available for sale financial assets	10%	-	-	10%	-	-
Trade and other payables	10%	(37,353)	(37,353)	10%	(10,392)	(10,392)
		<u>50,777</u>	<u>50,777</u>		<u>(10,392)</u>	<u>(10,392)</u>
		AUD / CAD change Effect on profit before tax	Effect on equity		AUD / USD change Effect on profit before tax	Effect on equity
Consolidated - 30 June 2019	% change			% change		
Cash and cash equivalents	10%	272,627	272,627	10%	4,275	4,275
Trade and other receivables	10%	21,172	21,172	10%	4,375	4,375
Inventories	10%	64,000	64,000	10%	22,866	22,866
Available for sale financial assets	10%	45,915	45,915	10%	-	-
Trade and other payables	10%	(58,632)	(58,632)	10%	(10,574)	(10,574)
		<u>345,082</u>	<u>345,082</u>		<u>20,942</u>	<u>20,942</u>

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The group generates income from interest on surplus funds. At reporting date, the Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Note 27. Financial instruments (continued)

	30 June 2020	30 June 2019
	Balance	Balance
Consolidated	\$	\$
Cash and cash equivalents	345,524	3,008,940
Net exposure to cash flow interest rate risk	345,524	3,008,940

There were no financial liabilities exposed to interest rate risk.

Interest rate sensitivity analysis

Changes to interest rates are not material to the group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's potential concentration of credit risk consists mainly of cash deposits with banks. The group's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value net of any provisions for impairment of those assets as at the reporting date. The group considers the credit standing of counterparties when making deposits to manage the credit risk.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Liquidity risk

The responsibility with liquidity risk management rests with the Board. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The group's policy is to ensure that it has sufficient cash reserves to carry out its planned activities over the next 12 months.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 28. Fair value measurement

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 29. Key management personnel disclosures

Directors

The following persons were directors of Roto-Gro International Limited during the financial year:

Michael Carli	(Non-Executive Chairman)
Michael Di Tommaso	(Executive Director and Chief Operations Officer)
Terry Gardiner	(Non-Executive Director)
Jamie Myers	(Non-Executive Director)
Michael Slater	(Non-Executive Director) (Resigned 28 February 2020)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Adam Clode	Chief Executive Officer (appointed 1 July 2019)
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Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Short-term employee benefits	554,591	584,917
Post-employment benefits	19,375	1,520
Share-based payments	464,349	-
	<u>1,038,315</u>	<u>586,437</u>

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company:

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Audit services - RSM Australia</i>		
Audit or review of the financial statements	<u>64,300</u>	<u>54,000</u>
<i>Other services - RSM Australia</i>		
Taxation services	<u>1,000</u>	<u>750</u>
	<u>65,300</u>	<u>54,750</u>

Note 31. Contingent assets and liabilities

There were no contingent assets and liabilities as at 30 June 2020 (2019: Nil).

Note 32. Commitments

	Consolidated
	30 June 2020 30 June 2019
	\$ \$
<i>Lease commitments - operating</i>	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	- 225,222
One to five years	- 518,258
	<hr/>
	- 743,480
	<hr/> <hr/>

Upon adoption of AASB 16 operating leases are now recognised on the balance sheet.

Note 33. Related party transactions

Parent entity

Roto-Gro International Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Transactions with related parties

During the year ended 30 June 2020 the following related party transactions occurred:

- Baker Young Stockbrokers Limited, a related entity of Jamie Myers, was paid \$72,600 (including GST) in advisory fees as well as \$150,612 (including GST) in capital raising costs relating to the \$2.3 million placement in December 2019.

- Ranger Resources, a related entity of Adam Clode, was paid \$43,985 (CAD 39,600) in CEO fees.

During the year ended 30 June 2019 the following related party transactions occurred:

- Mining Corporate Pty Ltd, an entity which David Palumbo is a director and shareholder, has been paid a total of \$114,118 for director fees, accounting, company secretarial and corporate advisory services for the period.

- On 28 March 2019 the company acquired 100% ordinary shares in Roto-Gro International Inc and its subsidiary Roto-Gro Technologies Inc., both entities in which Michael Carli is a director.

- Prior to acquisition, Roto-Gro Inc group, entities in which Michael Carli is a director of and were outside of the Roto-Gro International Limited group, invoiced \$243,450 for the purchase of Roto-Gro units, research and development costs associated with the Roto-Gro units and leasehold improvements associated with the manufacturing and showroom facility.

- Prior to acquisition, the group has also subleased a manufacturing facility, offices, a showroom and growing rooms from Roto-Gro International Inc. for a period of 5 years. The group incurred rent and outgoing expense of \$146,544.

- Atkinson Corporate Lawyers Pty Ltd, a related entity of Julian Atkinson, was paid \$41,010 (plus GST) in legal fees.

All transactions were made on normal commercial terms and conditions and at market rates.

There are no loans to directors or executives at reporting date (30 June 2019: Nil).

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	Parent
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax	(7,111,218)	(14,716,000)
Total comprehensive income	(7,111,218)	(14,716,000)

Statement of financial position

	Parent	Parent
	30 June 2020	30 June 2019
	\$	\$
Total current assets	234,977	290,311
Total assets	9,185,092	13,433,558
Total current liabilities	184,318	148,971
Total liabilities	184,318	148,971
Equity		
Issued capital	28,807,975	26,893,742
Share-based payments reserve	6,887,940	5,974,768
Accumulated losses	(26,695,141)	(19,583,923)
Total equity	<u>9,000,774</u>	<u>13,284,587</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2020.

Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2019 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2020 %	30 June 2019 %
Roto-Gro World Wide Inc	Mauritius	100.00%	100.00%
Roto-Gro World Wide (Canada) Inc	Canada	100.00%	100.00%
Global Fertigation Solutions Inc*	USA	-	100.00%
Roto-Gro Inc	Canada	100.00%	100.00%
Roto-Gro International Inc	Canada	100.00%	100.00%
Roto-Gro IP Inc	Canada	100.00%	100.00%
Roto-Gro Technology Inc	Canada	100.00%	100.00%

*GFS dissolved on 23 June 2020

Note 36. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 16 July 2020 Roto-Gro International Limited announced the lapse of 1,000,000 Class A Hanson Performance Shares as they have not met their performance conditions.

On 4 August 2020 Roto-Gro International Limited announced the execution of two Convertible Securities Agreements with Obsidian Global GP, LLC (Obsidian) for the investment by Obsidian of a total of up to AU\$1.25 million in the Company in two tranches in exchange for convertible notes issued by the Company, convertible into RGI fully paid ordinary shares. The funds raised are to be used for the Company's general corporate and working capital purposes required at the time. The first tranche amounting to \$250,000 has been received by the date of this report.

No other matter or circumstance has arisen since 30 June 2020 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.

Note 37. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax expense for the year	(15,876,155)	(6,171,841)
Adjustments for:		
Depreciation and amortisation	1,158,644	745,980
Share-based payments	708,167	120,000
Supra-THC deposit written off	-	1,339,984
Gibio investment written off	439,897	-
Impairment of Intangible assets	9,663,108	-
Foreign exchange differences	6,229	(2,476)
Change in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	251,697	(15,467)
Decrease / (increase) in inventories	244,011	(427,351)
Decrease / (increase) in other assets	(95,455)	24,898
Decrease / (increase) in right-of-use asset	(319,760)	-
Increase / (decrease) in trade and other payables	(153,217)	131,235
Increase/(decrease) in lease liabilities	354,705	-
Increase/(decrease) in other provisions	(4,553)	56,504
Increase/(decrease) in contract liabilities	(438,167)	-
Increase/(decrease) in other liabilities	(116,321)	-
Net cash used in operating activities	<u>(4,177,170)</u>	<u>(4,198,534)</u>

Note 38. Earnings per share

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Roto-Gro International Limited	<u>(15,613,460)</u>	<u>(6,016,681)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>139,434,891</u>	<u>100,612,456</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>139,434,891</u>	<u>100,612,456</u>
	Cents	Cents
Basic earnings per share	(11.20)	(5.98)
Diluted earnings per share	(11.20)	(5.98)
	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Roto-Gro International Limited	<u>(262,695)</u>	<u>(155,160)</u>

Note 38. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	139,434,891	100,612,456
Weighted average number of ordinary shares used in calculating diluted earnings per share	139,434,891	100,612,456
	Cents	Cents
Basic earnings per share	(0.19)	(0.15)
Diluted earnings per share	(0.19)	(0.15)
	Consolidated	
	30 June 2020	30 June 2019
	\$	\$

Earnings per share for loss

Loss after income tax attributable to the owners of Roto-Gro International Limited	(15,876,155)	(6,171,841)
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	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	139,434,891	100,612,456
Weighted average number of ordinary shares used in calculating diluted earnings per share	139,434,891	100,612,456
	Cents	Cents
Basic earnings per share	(11.39)	(6.13)
Diluted earnings per share	(11.39)	(6.13)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Roto-Gro International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 39. Share-based payments

Unlisted Options

During the financial year ended 30 June 2020, the following options were issued (June 2019: NIL)

Note 39. Share-based payments (continued)

Grant Date / Entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Unlisted options issued to employees and consultants at \$0.32 on or before 15 August 2021	2,500,000	15/08/2019	0.05210	130,250
Unlisted options issued to employees and consultants at \$0.43 on or before 15 August 2022	2,500,000	15/08/2019	0.05710	142,750
Unlisted options issued to employees exercisable at \$0.32 on or before 24 December 2021	3,650,000	24/12/2019	0.04110	150,018
Unlisted options issued for broker and investor relations services rendered exercisable at \$0.32 on or before 24 December 2021	8,000,000	24/12/2019	0.04110	328,806
	<u>16,650,000</u>		<u>0.19140</u>	<u>751,824</u>

The options issued during the prior period were calculated using the Black-Scholes option pricing model with the following inputs:

Item	Range
Expected volatility (%)	85
Risk free interest rate (%)	0.67-0.79
Expected life of options (years)	2 – 3 years
Expected dividends	Nil
Option exercise price (\$)	\$0.32 - \$0.43
Share price at grant date (\$)	\$0.15 - \$0.18

The options issued were deemed to vest immediately and there were no other vesting conditions.

The weighted average exercise price during the financial year was \$0.34 (2019: NIL).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.53 years (2019: NIL).

\$423,018 was recognised as share based payments expense in the statement of profit and loss for the year ended 30 June 2020 in relation to the options noted above, and \$328,806 was capitalised to costs of capital raising.

Performance Rights

During the current financial year performance rights issued as part of CEO Incentives which had the following vesting conditions:

Note 39. Share-based payments (continued)

- Class A: 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 the CEO employment Agreement and December 31, 2020. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares
- Class B: 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 the CEO employment Agreement and December 31, 2021. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- Class C: 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 the CEO Agreement and December 31, 2022. Consideration to be paid: 2,000,000 performance rights in RGI converting to Shares.
- Class D: 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 CEO Agreement and December 31, 2020. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- Class E: 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 CEO Agreement and December 31, 2021. Consideration to be paid: 1,000,000 performance rights in RGI converting to Shares.
- Class F: 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 CEO 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.

No consideration will be payable upon the vesting of the Performance Rights.

Based on the above, the performance rights valuations have been calculated as follows:

Class	No. of Shares	Issue Date	Lapse Date	Fair Value	Probability %	Total Value \$
A	1,000,000	15/08/2019	31/12/2020	\$0.18	20%	36,000
B	1,000,000	15/08/2019	31/12/2021	\$0.18	50%	90,000
C	2,000,000	15/08/2019	31/12/2022	\$0.18	35%	126,000
D	1,000,000	15/08/2019	31/12/2020	\$0.18	20%	36,000
E	1,000,000	15/08/2019	31/12/2021	\$0.18	50%	90,000
F	2,000,000	15/08/2019	31/12/2022	\$0.18	50%	180,000
	<u>8,000,000</u>					<u>558,000</u>

Fair value: this was determined with reference to the prevailing share price at the date of issue.

Probability: for each performance milestones described above, the Board assessed the probability of achievement and eventual vesting as at the date of the issue.

\$191,349 was recognised as share-based payments expense for the year ended 30 June 2020 in relation to the performance rights noted above.

Shares

On 30 August 2019, 50,000 shares were issued to a supplier for settlement of an invoice at an issue price of \$0.18 per share and a total transaction value of \$9,000.

On 31 December 2019, 218,605 shares were issued to a supplier for settlement of Invoices at an issue price of \$0.215 per share and a total transaction value of \$47,000, of which \$17,000 related to the June 2020 financial year.

On 31 December 2019, 656,000 shares were issued to employees for settlement of overtime work at an issue price of \$0.12 per share and a total transaction value of \$67,800.

\$93,800 was recognised as share-based payments expense for the year ended 30 June 2020 in relation to the shares noted above.

Note 39. Share-based payments (continued)

Accounting policy for share-based payments

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Significant judgement may be required in determining the valuation technique adopted. The fair value of the options issued in the current period are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed above. The assumptions detailed in this note are also judgemental.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model.

For instruments issued with market-based conditions, alternative valuation methodologies would be adopted.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial 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.

The Board of Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Michael Carli
Non-Executive Chairman

31 August 2020

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

Opinion

We have audited the financial report of Roto-Gro International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2, which indicates that the Group incurred a loss of \$15,876,155 and had net cash outflows from operating and investing activities of \$4,177,170 and \$416,100 respectively for the year ended 30 June 2020. As at that date, the Group had net current liabilities of \$179,197. 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Intangible assets Refer to Note 18 in the financial statements	
<p>The Group has intangible assets of \$8,037,401 as at the reporting date.</p> <p>As required by Australian Accounting Standards, management is required to assess at each reporting date whether there is any indication that an asset may be impaired. Management identified indicators of impairment, and therefore performed an impairment test on the recoverability of the intangible assets. As a result, an impairment of \$9,663,108 was recognised against the intangible assets.</p> <p>We determined this area to be a key audit matter due to the size of the balance and because the managements' assessment of the value-in-use of the cash generating unit (CGU) involves judgement about the future underlying cash flows of the CGU and the discount rate applied.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Involving our internal financial modelling specialists to assess the integrity of the value-in-use model; • Reviewing and challenging the significant assumptions used by management in preparing the model; • Checking the mathematical accuracy of the model; and • Reviewing the relevant disclosures in the financial statements to ensure compliance with Australian Accounting Standards.
Share based payments Refer to Note 39 in the financial statements	
<p>During the financial year, the Group incurred share-based payment expenses of \$708,167 and capital raising costs of \$328,806 in accordance with AASB 2 <i>Share-based Payment</i> from the issue of 16,650,000 options and 8,000,000 performance rights.</p> <p>We determined this to be a key audit matter due to the material amount of the share-based payment and the significant judgement involved in assessing the fair value of the transactions.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining the valuation models prepared by management and assessing whether the models were appropriate for valuing the options and performance rights granted during the year; • Assessing the reasonableness of the assumptions used in the models; • Reviewing management's assessment of the probability of achieving the non-market vesting conditions; • Checking the mathematical accuracy of the computation and the apportioned expense over the vesting period; and • Reviewing the relevant disclosures in the financial statements to ensure compliance with Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Roto-Gro International Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2020

The shareholder information set out below was applicable as at 25 August 2020

Distribution of Fully Paid Ordinary Shares:

Range	Total holders	No. of shares	% Units
1 to 1,000	67	29,834	0.02%
1,001 to 5,000	387	1,083,226	0.72%
5,001 to 10,000	237	1,897,504	1.25%
10,001 to 100,000	501	18,239,845	12.06%
100,001 and over	208	130,022,138	85.95%
	<u>1,400</u>	<u>151,272,547</u>	
Unmarketable Parcels	<u>578</u>	<u>1,909,703</u>	0.03%

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
SHERRY D GALLANT	7,588,500	5.02
CITICORP NOMINEES PTY LIMITED	5,796,216	3.83
VERTICAL LTD	4,500,000	2.97
SLOOP INVESTMENTS INC.	3,400,000	2.25
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,166,059	2.09
RETZOS FAMILY PTY LTD	2,750,000	1.82
MR NARINDER SINGH SUDAGAR SINGH	2,689,098	1.78
BALCIN CORP S.A.	2,520,000	1.67
JAMES PAUL CRANFIELD	2,500,000	1.65
BARRY GALLANT	2,500,000	1.65
KOOKABURRA NOMINEES PTY LTD	2,307,061	1.53
NETWEALTH INVESTMENTS LIMITED	2,272,175	1.50
CARBON HOLDCO INC.	2,025,000	1.34
DESERT CAPITAL INVESTMENT FUND PTE LTD	2,000,000	1.32
SHANGHAI HOLDINGS PTY LTD	2,000,000	1.32
SUN CORE LTD	2,000,000	1.32
NETWEALTH INVESTMENTS LIMITED	1,975,821	1.31
BARCLAY WELLS LTD	1,650,000	1.09
MR ANTONY SUNNA	1,550,000	1.02
PENNINE RESOURCES LTD	1,500,000	0.99
	<u>56,689,930</u>	<u>37.47</u>

Unquoted equity securities

	Number on issue
CEO PERFORMANCE RIGHTS CLASS A	1,000,000
CEO PERFORMANCE RIGHTS CLASS B	1,000,000
CEO PERFORMANCE RIGHTS CLASS C	2,000,000
CEO PERFORMANCE RIGHTS CLASS D	1,000,000
CEO PERFORMANCE RIGHTS CLASS E	1,000,000
CEO PERFORMANCE RIGHTS CLASS F	2,000,000
ESCROWED PERFORMANCE SHARES CLASS A	9,186,360
ESCROWED PERFORMANCE SHARES CLASS B	9,186,360
ESCROWED PERFORMANCE SHARES CLASS D	9,000,000
HANSON PERFORMANCE SHARES CLASS B	1,000,000
HANSON PERFORMANCE SHARES CLASS C	1,000,000
HANSON PERFORMANCE SHARES CLASS D	2,000,000
UNLISTED OPTIONS EXPIRING 15/08/21 @ 0.3225	2,500,000
UNLISTED OPTIONS EXPIRING 15/08/22 @ 0.43	2,500,000
UNLISTED OPTIONS EXPIRING 24/12/21 @ 0.32	3,650,000
UNLISTED OPTIONS EXPIRING 24/12/21 @ 0.32	8,000,000

Distribution of unlisted performance rights

Range	Total holders	No. of Performance Rights	% Units
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	1	5,625	0.01%
10,001 to 100,000	23	658,125	1.67%
100,001 and over	36	38,708,970	98.31%
	<u>60</u>	<u>39,372,720</u>	

Distribution of unlisted options

Range	Total holders	No. of options	% Units
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	24	16,650,000	100.00%
	<u>24</u>	<u>16,650,000</u>	

Name of persons holding 20% or more of the equity securities in an unquoted class (not issued under an Employee Incentive Scheme);

Name	Class	Number of securities Held	%
MAPD Nominees Pty Ltd	Unlisted options expiring 24/12/2021	2,450,000	30.00%
ECA Securities Pty Ltd	Unlisted options expiring 24/12/2021	2,000,000	25.00%
Commercial Water Treatment	Hanson performance shares class B	900,000	90.00%
Commercial Water Treatment	Hanson performance shares class C	900,000	90.00%
Commercial Water Treatment	Hanson performance shares class D	1,800,000	90.00%
Barry Gallant	Escrowed performance shares class A	2,296,590	25.00%
Barry Gallant	Escrowed performance shares class B	2,296,590	25.00%
James Paul Cranfield	Escrowed performance shares class A	2,296,590	25.00%
James Paul Cranfield	Escrowed performance shares class B	2,296,590	25.00%
Sun Core Ltd	Escrowed performance shares class A	1,837,272	20.00%
Sun Core Ltd	Escrowed performance shares class B	1,837,272	20.00%

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
SHERRY D GALLANT	10,088,500 6.67

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.