



October 29th, 2018

RotoGro to Acquire 100% of Canadian Lawful Cannabis License

- RotoGro to acquire 100% of the issued share capital of Supra THC from Valens GroWorks Corp. (“CSE:VGW”)
- Supra THC holds a Health Canada issued Dealer’s License
- Pursuant to the Cannabis Regulations Supra THC is permitted to conduct Standard Processing, Analytical Testing, Research, Production, Sale and Distribution of cannabis
- Total consideration is CAD \$11,000,000.00 with 80% being paid in the share capital of RotoGro and 20% paid in cash
- Senior executive & consultants engaged to accelerate exploitation of the cannabis licence

Roto-Gro International Limited (“ASX:RGI”, “RotoGro”) is pleased to announce it has entered into a definitive share purchase agreement (“SPA” or “Share Purchase Agreement”) with Valens GroWorks Corp. (“CSE:VGW” or “Valens”) to acquire all of the issued and outstanding shares in the capital stock of Supra THC Services Inc. (“Supra” or “Supra THC”).

About Supra THC:

Supra THC is a wholly-owned subsidiary of Valens (a Canadian publicly-listed company located in Kelowna, British Columbia, Canada <https://www.valensgroworks.com/>) which specializes in the processing of cannabis into pure extracts and oils.

Supra THC operates its business pursuant to a Dealer’s License issued by Health Canada¹ pursuant to the Narcotic Control Regulations of the Controlled Drugs and Substances Act (Canada). Supra THC’s Dealer’s License permits the possession of cannabis and related active ingredients, in addition to the production of extracts for the purpose of analysis. Prior to closing, Valens will reorganise Supra so that its only asset is the Dealer’s Licence and it will have no liabilities or employees. RotoGro has appointed Cannabis Compliance Inc (<https://www.cannabiscomplianceinc.com/>) to coordinate the license renewal (the Dealer’s Licence expires on 31 December 2018) and transition to RGI (including ownership, personal and address changes).

1. <https://www.canada.ca/en/health-canada/services/list-licensed-dealers.html>

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





In addition, RotoGro has appointed Michael Di Tommaso, a senior executive with experience in Cannabis Legislation, as Operations Manager for Cultivation. Mr Di Tommaso will oversee an application to amend the Dealer's Licence to permit additional cultivation methods and building a suitable 44,000 square feet facility ("Cultivation Facility"). RotoGro has secured a site located near RotoGro's existing R&D and manufacturing facility for the Cultivation Facility and is estimating a cost of CAD \$500,000.00 to fit out phase one of the facility.

Details of the Transaction:

RotoGro has agreed to acquire and Valens has agreed to sell all the issued and outstanding shares in the capital stock of Supra THC Services Inc. for total consideration equal to CAD \$11,000,000.00 (the "Purchase Price") on the following terms:

1. Within five (5) business days of signing the SPA, RotoGro agrees as follows:
 - a. To pay Valens a non-refundable deposit in the amount of CAD \$200,000.00; and
 - b. To issue 2,250,000 fully paid ordinary shares ("Shares") in the capital stock of RotoGro to Valens at a deemed price of AUD \$0.40 per share.

Shares issued upon signing the SPA will be issued without shareholder approval and relying on RotoGro's existing 15% capacity.

2. Upon the requisite corporate and regulatory approvals being obtained in connection with the Transaction (including the approval of shareholders in accordance with the listing rules of the Australian Securities Exchange (ASX) and the *Corporations Act* (Australia), to the extent required) and completion of the sale and purchase occurring, RotoGro agrees as follows:
 - a. To pay Valens the sum of CAD \$200,000.00; and
 - b. To issue 16,650,000 Shares to Valens at a deemed price of AUD \$0.40 per share, with 5,400,000 Shares escrowed until 21 December 2019 and 9,000,000 Shares escrowed until 31 December 2020.
3. No later than the earlier of twenty-one (21) days from the date of written notice issued by Health Canada to RotoGro confirming the issuance of a Standard Processing License to Supra THC pursuant to the *Cannabis Act* (Canada) and the Cannabis Regulations, and 31 December 2019, RotoGro agrees as follows:
 - a. To pay Valens the sum of CAD \$600,000.00; and
 - b. Release 5,400,000 Shares from escrow.

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





ROTOGRO

4. No later than the earlier of twenty-one (21) days from the date of written notice issued by Health Canada to RotoGro confirming the approval and acceptance of an amendment to Supra THC's Dealer's License to permit the operation of a Standard Cultivation License pursuant to the *Cannabis Act* (Canada) and the Cannabis Regulations, and 31 December 2019, RotoGro agrees as follows:
 - a. To pay Valens the sum of CAD\$1,000,000.00; and
 - b. release 9,000,000 Shares from escrow.
5. Valens will prior to completion, transfer all assets other than the Dealer's Licence out of Supra. Whilst the Dealer's Licence applies to Supra's existing premises, Valens will provide support to RotoGro in respect of renewing the License, applying for License conversion under the Cannabis Act and provide design assistance and inputs for the new Facility in line with Good Manufacturing Practice.
6. In addition to the fees payable to Valens as outlined above there are 8% introduction and facilitation fees to be paid to Allyson Taylor Partners Inc. of Montreal (Canada) and Tectonic Advisory Partners of New York, the intermediary and introductory parties to the transaction. These parties are; both unrelated and not known to RotoGro prior to the introduction of this acquisition.
7. Upon the successful completion of the transaction pursuant to the SPA, RotoGro and Valens (or its assignee) shall negotiate an offtake agreement for the sale and purchase of cannabis produced at the new RotoGro facility. The agreement shall set out the terms and conditions for the proposed production and sale of cannabis, including the agreed upon amount of production and the pricing mechanism, all of which shall be mutually agreed upon by RotoGro and Valens.

Authorised Activities Under the new Cannabis Act and Cannabis Regulations:

Dealer's Licenses are issued by Health Canada pursuant to Section 9.2 of the Narcotic Control Regulations of the *Controlled Drugs and Substances Act* (Canada). The new *Cannabis Act* (Canada) and corresponding Cannabis Regulations will, upon coming into effect on October 17, 2018, legalize the recreational use of cannabis nationwide in Canada. The new legislation will also control and regulate the production, distribution and sale of lawful cannabis in Canada. Amendments to the Narcotic Control Regulations will remove references to cannabis and convert existing Dealers Licenses to an equivalent license pursuant to the new Cannabis Regulations as captured in the following table.

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





ROTOGRO

Licences Issued under Section 9.2 of the *Narcotic Control Regulations* (NCR)

CURRENTLY AUTHORIZED ACTIVITIES		EQUIVALENT LICENCES AND REQUIREMENTS UNDER THE CANNABIS REGULATIONS
Licence issued under section 9.2 of the NCR	Conduct analytical testing <i>(Obtain cannabis extracts from samples for the analysis of cannabinoids)</i>	➤ Licence for Analytical Testing Note: A laboratory that is operated by a federal, provincial or territorial government does not require a licence to conduct analytical testing of cannabis (section 4)
	Cultivate, propagate or harvest marihuana for scientific purposes	➤ Licence for Research ³
	Produce, sell or distribute a drug containing cannabis ⁴	➤ Cannabis Drug Licence
	Produce reference standards containing cannabis <i>(Produce cannabis for the purpose of conducting testing to determine its chemical characterization)</i> and/or Produce test kits containing cannabis	• Meet applicable security requirements (see Division 1 of Part 4, note exemption for storage area (subsection 78(1))) ➤ Licence for Standard Processing
	All other licences issued under 9.2 of the NCR that relate to cannabis	• Possess the equivalent of 600kg of dried cannabis or less per calendar year (section 21) ⁵ • Meet applicable security requirements (section 74) ➤ Licence for Micro-processing Restrictions <ul style="list-style-type: none"> These licence holders will not be authorized to sell cannabis to any person unless otherwise specified as a condition of the licence These licences may have additional conditions Expiry date: December 31, 2018

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





ROTOGRO

Licence Expiry Date: The expiry date of the equivalent licence will be extended to December 31, 2019, except where noted in the table above.

³ Sale of the products of research is limited to cannabis plants and seeds to enable the commercialization of novel research and development.

⁴ As defined in section 1 of the *Cannabis Regulations*.

⁵ To determine equivalency, refer to subsection 21(2) and to the table in section 21 of the *Cannabis Regulations*.

⁶ The limit of more than the equivalent of 600 kg of dried cannabis per calendar year does not apply if the licence holder of a micro-processing licence also holds a micro-cultivation licence in relation to the same site, and the cannabis is exclusively from that site. (Subsection 21 (3) of the *Cannabis Regulations*)

Pursuant to the Cannabis Regulations and its Dealer's License, Supra THC is permitted to conduct Standard Processing, Analytical Testing, Research, Production, Sale and Distribution. In addition to these permitted uses, RotoGro shall apply for an amendment to the license to permit Standard Cultivation.

The *Cannabis Act* (Canada) and the Cannabis Regulations authorize processing licence holders to alter cannabis to manufacture intermediary or finished products, and to sell cannabis to other processors. All processing licence holders are authorized to sell and distribute finished cannabis products to authorized sellers and distributors.

Pursuant to the *Cannabis Act* (Canada) and the Cannabis Regulations, cultivation licence holders are authorized to cultivate, propagate and harvest cannabis plants, and to sell the harvested material to other licence holders. Licensed cultivators are authorized to package and label cannabis plants and seeds for sale to authorized sellers or distributors.

Given uncertainty over the relevant laws in light of recent changes, RotoGro has appointed Cannabis Compliance Inc to advise on regulatory matters, including the change of control of Supra, converting the Dealers' Licence to a Standard Processing License and adding Cultivation to the Facility. Michael Carli, the Group's Managing Director, Michael Di Tommaso the Group's Operations Manager for Cultivation and John Tadic the Group's Facilities Manager have all satisfied the requirements for security clearance under the Cannabis Act.

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





The Canadian Lawful Cannabis Market:

More than twenty-five countries have legalised the medical use of cannabis or decriminalized possession of small amounts. Canada was a pioneer in this movement, with early legalisation being passed in 2001. It is expected that the legalisation of the recreational use of cannabis nationwide in Canada on October 17, 2018 will result in the accelerated growth of this nascent industry. In excess of 100 legal cannabis retail outlets are expected to open across Canada on October 17, 2018 to service Canada's burgeoning adult population however, Canada's current production levels of lawful cannabis are insufficient to meet the current demand: According to a recent report by the C.D. Howe Institute, current supplies will meet only 30 to 60 percent of nationwide demand which is estimated to be 610 tonnes. However, the forecasted available lawful cannabis supply for the fourth quarter of 2018 is merely 146 tonnes. University of Waterloo economics professor Anindya Sen has stated, "There will not be enough legal supply, especially during the first half of the year following legalization, primarily because of the slow rate of licensing producers".

According to a recent report by Deloitte, the total cannabis market in Canada (including medical, illegal and legal recreational products) is expected to generate approximately \$7.17 billion in total sales in 2019. The Deloitte report states that sales of lawful cannabis are expected to constitute more than half of that amount (approximately \$4.34 billion) in the first year of legalisation alone. The market capitalisation of cannabis-focussed companies has increased significantly with Tilray, Canopy Growth Corp. and Aurora Cannabis Inc. all crossing the \$10 billion threshold in market capitalization. Shares in Canopy Growth Corporation (TSX: WEED, NYSE: CGC) exceeded 30% in growth after a CAD \$5 Billion investment by alcoholic beverage giant Constellation Brands (NYSE: STZ).

Market Activity for Acquisitions of Dealer Licenses issued by Health Canada:

Of the six Canadian lawful cannabis Dealer's Licenses owned by publicly listed companies, two are owned by Valens. The remaining four are owned by Canopy Growth Corp. ("**Canopy**"), Aurora Cannabis Inc. ("**Aurora**"), Nuuvera Inc. ("**Nuuvera**") and Cannabis Wheaton Income Corp. ("**Wheaton**").

The following acquisitions were completed in this space; Aurora purchased Anandia Laboratories Inc. for CAD \$115M in June 2018; Nuuvera purchased ARA-Avanti Rx Analytics Inc. for \$43M in February 2018; and Wheaton purchased Dosecann LD Inc. for \$38M in April 2018.

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





ROTOGRO

The Chief Executive Officer of Valens, Tyler Robson states, “We are very pleased with the execution of the SPA, the contemplated transaction, and becoming a shareholder of RotoGro. Our key personnel have spent many hours with the RotoGro team at their facility in Caledon, Ontario and are extremely impressed with RotoGro’s innovation and technology. In addition to the yield and cost-saving advantages of RotoGro’s technology, we are extremely excited about the application of RotoGro’s technology to the indoor vertical farming space and the impact this will have on RotoGro’s prospects. The long-term commercial opportunities for offtake agreements and further innovation are a “win-win” for our respective company’s shareholders as we look to the future of our long-term investment and working relationship.”

Managing Director of RotoGro, Michael Carli states, “The acquisition of Supra THC is a massive step forward in the Company’s strategic growth plan to establish itself as a global leader in the cultivation of cannabis and perishable foods; which we have long announced to the market. In addition to initiating a dialogue with Health Canada, we have identified premises where we wish to establish our cannabis operations (which are in proximity to our current facility located in Caledon, Ontario) and the design of layouts for these premises has already begun. We have an excellent working relationship with the management team at Valens. We look forward to our future business collaboration for offtake agreements and downstream value-added products and services.”

--ENDS--

For more information please contact

Roto-Gro International

Adam Clode
Investor Relations
adam.clode@rotogro.com.au

Investment Enquiries

Terry Gardiner
Barclay Wells Limited
terry@barclaywells.com
+61 (0)8 6380 3333

Investment Enquiries

James Titcombe
Emerald Capital Australia
jtittcombe@emeraldcapital.com.au
+61 (0)481 055 924

About Roto-Gro International Limited

Roto-Gro International Limited is an Australian-based company with licensed, proprietary, patented, and patents-pending technology in the stackable rotary hydroponic garden space. RotoGro holds worldwide exclusive licenses for lawful medicinal and recreational cannabis markets and has agreed, subject to

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo





ROTOGRO

shareholder approval, to acquire the technology for all other purposes including pharmaceuticals, nutraceuticals and perishable foods.

RotoGro's wholly-owned subsidiary, Global Fertigation Solutions Inc. ("GFS"), provides a patent-pending specialized business line for water treatment and nutrient management in the viticulture, perishable foods and lawful cannabis space. GFS has successfully provided design solutions, installations and ongoing service contracts for more than twelve (12) licensed lawful cannabis facilities in the State of Nevada, USA and is embarking on expanding this offering globally.

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

Registered and Business Office

Level 11, 216 St Georges Terrace
Perth WA 6000
T: +61 8 9481 0389
F: +61 8 9463 6103
E: info@rotogro.com.au

Directors

Michael Carli (Managing Director)
Michael Slater (Executive Director)
David Palumbo (Non-Executive Director)
Julian Atkinson (Non-Executive Director)

Company Secretary

David Palumbo

