

## 1. Company details

Name of entity:	Roto-Gro International Limited
ABN:	84 606 066 059
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

## 2. Results for announcement to the market

					\$
Revenues from ordinary activities	down	100%	to		0
Loss from ordinary activities after tax attributable to the owners of Roto-Gro International Limited	down	71%	to		(4,608,865)
Loss for the year attributable to the owners of Roto-Gro International Limited	down	71%	to		(4,608,865)

### 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 \$4,608,865 (30 June 2020: \$15,876,155).

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	<u>1.042</u>	<u>0.004</u>

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 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 unmodified 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 2021 is attached.

---

## 12. Signed

Signed Michael Carli

Date: 31 August 2021

Michael Carli  
Non-Executive Chairman

**Roto-Gro International Limited**  
**Contents**  
**30 June 2021**



Corporate directory	1
Directors' report	2
Auditor's independence declaration	22
Statement of profit or loss and other comprehensive income	23
Statement of financial position	25
Statement of changes in equity	26
Statement of cash flows	27
Notes to the financial statements	28
Directors' declaration	62
Independent auditor's report to the members of Roto-Gro International Limited	63
Shareholder information	66

For personal use only

Directors	Mr Michael Carli (Non-Executive Chairman) Mr Michael Di Tommaso (Executive Director and Chief Executive Officer) (Appointed Chief Executive Officer 25 January 2021) Mr Terry Gardiner (Non-Executive Director) Mr Matthew O'Kane (Non-Executive Director) (Appointed 30 November 2020) Mr Jamie Myers (Non-Executive Director) (Resigned 30 November 2020)
Chief Executive Officer	Mr Michael Di Tommaso (Appointed 25 January 2021) Mr Adam Clode (Ceased employment 25 January 2021)
Company secretary and CFO	Melanie Leydin (Resigned 30 April 2021)
CFO	Karla Mallon (Appointed 30 April 2021)
Company Secretary	Andrew Palfreyman (Appointed 30 April 2021)
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 5, 126 Phillip Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067 Telephone 61 3 9415 5000 Facsimile 61 3 9473 2500 Website: <a href="https://www.computershare.com/au/Pages/contact-us.aspx">https://www.computershare.com/au/Pages/contact-us.aspx</a>
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	<a href="https://www.rotogro.com/">https://www.rotogro.com/</a>
Corporate Governance Statement	The 2021 Corporate Governance Statement can be found online at the location below <a href="https://www.rotogro.com/corporate-governance/">https://www.rotogro.com/corporate-governance/</a>

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 2021.

### **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 Executive Officer) (Appointed Chief Executive Officer 25 January 2021)
- Terry Gardiner (Non-Executive Director)
- Matthew O'Kane (Non-Executive Director) (Appointed 30 November 2020)
- Jamie Myers (Non-Executive Director) (Resigned 30 November 2020)

### **Principal activities**

The principal activity of the group during the financial year was the production and sale of patented and proprietary Rotational Garden Systems (the "RotoGro Garden Systems") and the sale and production of advanced automated nutrient delivery and water management systems (the "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 \$4,608,865 (30 June 2020: \$15,876,155), which includes a non-cash impairment expense of \$nil (2020: \$10,103,005).

Highlights of the year include:

- Executed a \$10 million Technology Licence Agreement with Verity Greens Inc., solidifying the Company's entry into the global indoor vertical farming for perishable foods market;
- Executed a Purchase and Sale Agreement with Canniberia LDA for CAD \$1.903 million;
- Executed a Growing Management Services Agreement with Canniberia LDA which provides for a net profit share of 25% of the EBITDA earned from all sales of lawful cannabis flower cultivated at Canniberia's facility;
- Executed a Memorandum of Understanding with Fresh Leaf Limited to conduct both Canadian and Australian trials for the cultivation of herb varieties in RotoGro's Model 710 Garden Systems. The Memorandum of Understanding expands product trials internationally to Australia, with Fresh Leaf utilizing three RotoGro Garden Systems, one of which it will purchase from RotoGro for \$25,000;
- Successfully raised \$3.53 million (before costs) through two placements of new fully paid ordinary shares to professional and sophisticated investors;
- Roto-Gro Inc., a wholly owned subsidiary of the Company, was granted a stackable rotatable gardening system patent (Australian Patent No. 2015243012) by the Australian Patent Office, establishing the Company's position as the pioneer of rotational garden systems in the indoor vertical farming space;
- The Company filed three provisional patents in the United States of America for the following: 1) Plant Tray, Feed Nozzle and Plant Tray Feed System – 63/088,597; 2) Automated Plant Tray Shuttle and System – 63/088,607; and 3) rotating Garden Rails for Holding Plant Trays – 63/088,623;
- Executed a favourable Patent Infringement Settlement Agreement with RavenQuest Biomed Inc., with the Federal Court of Canada ordering that RotoGro is the owner of Canadian Patent No. 2,908,184, and that RavenQuest infringed this Patent by its manufacturing, sale, and distribution of orbital gardens;
- The Company is currently in discussions with a number of prospective customers for the purchase and sale of RotoGro's patented and proprietary agricultural cultivation technology, including its Rotational Garden Systems for both the perishable foods and lawful cannabis, in the United States of America, Europe, and Australia;
- The Company is conducting a number of trials for prospective customers for both perishable food and lawful cannabis crop varieties at its research and design facility located in Ontario, Canada.

### Production and Sales Pipeline

The Company continues to develop the existing sales pipeline for both lawful cannabis and perishable foods. Adverse impacts 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. Post-year end, the Company transitioned one of its commercial relationships – Wolf Island Cannabis Inc - into a Purchase and Sale Agreement valued at approximately AUS \$410,000.

The Company currently has several new and exciting leads with prospective customers in Canada and the United States, together with other leads in Australia and Europe. Although these sales leads are highly prospective, it is not guaranteed they will convert into sales orders and growing management contracts. Nonetheless, the Company remains optimistic about generating sales from these leads as we continue to work diligently with new and existing customers at varying stages of their development.

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, Europe, and Australia. 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 generating sales from these proposed transactions as we continue to work diligently with new and existing customers at varying stages of their development.

### Research & Development

RotoGro's Research and Development Team have made tremendous progress with the cultivation of high-quality cannabis within its Model 420 Garden System, 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.

The Company has also progressed significantly with the cultivation of high-value perishable foods, including a variety of leafy greens and herbs, within the Model 710 Garden Systems. The research team have optimised product trials utilising RotoGro's proprietary LED lighting solution and newly designed direct-injection feed system, which has proven to significantly lower overall cultivation costs by reducing power and water consumption, while significantly increasing yield per meter squared when compared to other indoor vertical farming technologies. Trials for additional product lines continue with strawberries, bok choy, peppers, tomatoes, and snacking cucumbers to be re-trialled using RotoGro's LED lighting system and proprietary direct-injection feed system. The resulting cost of production for each product line is proving extremely competitive when compared to the cost of conventional and greenhouse farming methods.

These internal trials are now focused on achieving shorter full crop cycle lengths (shorter grow cycles), while maintaining current yields per metre squared. The team is also focused on further minimizing water usage by optimizing control parameters, ensuring further input efficiencies. The team will now also focus on trialling various fruiting crops, the results of which will open the doors to potential new indoor vertical farming markets focused on these crops.

### Engineering Design & Innovation

RotoGro engineering, design, and innovation team continued to make significant progress on the commercialization of the "RotoGro Facility Edition" software system, the Company's latest addition to RotoGro's proprietary portfolio of technology. This technology will be used specifically with the RotoGro 710s and the respective automation aspects RotoGro has developed, including Automated Guided Vehicles ("AGVs") and growing tray insertion and removal. The team also redesigned RotoGro's *Enterprise Edition* iGrow® Software System, developing new features, including a user-friendly interface; added security layers; email utility for alerts; and LED lighting system control features for both the RotoGro 710s and RotoGro 420s.

The Company also integrated its software systems with the RotoGro Fertigation System, automating the entire plant feeding schedules within the RotoGro Garden Systems.

Collectively, these updates remove redundant labour throughout the cultivation cycles for both cannabis and perishable foods by providing further automated and secured features. As a result, there is strong potential for a significant savings in labour costs for the Company's current and prospective customers.

The RotoGro team continued to test the use of its proprietary AGVs, developed in-house for integration with the full-facility automation design for perishable foods facilities utilizing the RotoGro 710s. Our team is now working closely with international engineering automation companies to optimize all functions of the AGVs, with a particular focus on the automated tray insertion and removal from the Model 710s on the six-stacked RotoGro 710 automation test units at the RotoGro Facility.

### Administration

Roto-Gro Inc., a wholly owned subsidiary of the Company, was granted a stackable rotatable gardening system patent (Australian Patent No. 2015243012) by the Australian Patent Office, establishing the Company's position as the pioneer of rotational garden systems in the indoor vertical farming space. Further, the Company filed three provisional patents in the United States of America for the following: 1) Plant Tray, Feed Nozzle and Plant Tray Feed System – 63/088,598; 2) Automated Plant Tray Shuttle and System – 63/088,607; and 3) rotating Garden Rails for Holding Plant Trays – 63/088,623, and anticipates the expansion of its intellectual property portfolio.

The Company executed a binding Settlement Agreement with RavenQuest BioMed Inc. in favour of the Company, with the Federal Court of Canada ordering that RotoGro is the owner of Canadian Patent No. 2,908,184, and that RavenQuest infringed this Patent by its manufacturing, sale, and distribution of orbital gardens. The patent grants 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, for a period of 20 years from the Patent's filing date. RavenQuest is permanently restrained from infringing or challenging, directly or indirectly, the Patent.

The Company also decided to not move forward with its Share Purchase Agreement for the majority of the capital stock of 420 Inc. following discussions with, and extensive submissions to, the ASX, as the ASX determined that the business arising from this transaction would constitute a change in the nature of the Company's activities and require the Company to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules before it completed the transaction.

The Company appointed Andrew Palfreyman and Karla Mallon as its Company Secretary and Chief Financial Officer, respectively on 30 April 2021.

## **Significant changes in the state of affairs**

### *Performance Shares*

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

### *Convertible Securities Agreements*

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 full \$1.25 million was received during the year and pursuant to the Purchase Agreement dated 31 July 2021, Obsidian elected to convert the full value of the note to securities in the Company and repayment of the note has been paid in full, as announced on 22 January 2021. The following share issues were completed in the year in relation to the Obsidian convertible notes agreement:

- On 7 August 2020, the Company issued 307,061 fully ordinary shares at a deemed issue price of \$0.04070864 per share (Commitment shares) and 2,000,000 fully paid ordinary shares at a deemed price of \$0.075 per share (Collateral Shares) to Obsidian in accordance with the agreement dated 31 July 2020 contemplating an investment by Obsidian of \$250,000 in exchange for the issue of the Tranche 1 Notes.
- On 6 October 2020, the Company issued 90,306 fully ordinary shares at a deemed issue price of \$0.0443 per share (Ordinary Shares) to Obsidian as a monthly amortisation payment in accordance with the terms and conditions of the Tranche 1 Convertible Securities Purchase Agreement dated 31 July 2020.
- On 16 October 2020, the Company issued of 1,123,451 fully ordinary shares at a deemed issue price of \$0.04450574 per share (Commitment shares) and 4,737,750 fully paid ordinary shares at a deemed price of \$0.075 per share (Collateral Shares) to Obsidian in accordance with the agreement dated 31 July 2020 contemplating an investment by Obsidian of \$1,000,000 in exchange for the issue of the Tranche 2 Notes.
- On 6 November 2020, the Company issued 843,839 fully ordinary shares at a deemed issue price of \$0.039746 per share (Ordinary Shares) to Obsidian as a monthly amortisation payment in accordance with the terms and conditions of the Tranche 1 Convertible Securities Purchase Agreement dated 31 July 2020.
- On 19 November 2020, the Company issued 942,522 fully ordinary shares at a deemed issue price of \$0.039746 per share (Ordinary Shares) to Obsidian as a monthly amortisation payment in accordance with the terms and conditions of the Tranche 1 Convertible Securities Purchase Agreement dated 31 July 2020.
- On 30 November 2020, the Company issued 1,256,699 fully paid ordinary shares at a deemed issue price of \$0.039172 per share and 2,395,367 fully paid ordinary shares at a deemed issue price of \$0.040 per share to Obsidian as settlement of convertible note payment for Tranche 1 convertible notes in accordance with the agreement dated 31 July 2020.
- On 2 December 2020, the Company issued 4,057,893 fully paid ordinary shares at a deemed issue price of \$0.040 per share as settlement of convertible note payment for Tranche 2 convertible notes in accordance with the Tranche 2 Convertible Securities Purchase Agreement dated 31 July 2020.
- On 8 December 2020, the Company issued 10,295,396 fully paid ordinary shares of \$0.040 per share as settlement of convertible note payment for Tranche 2 convertible notes in accordance with the Tranche 2 of the Agreement dated 31 July 2020.
- On 17 December 2020, the Company issued 6,130,141 fully paid ordinary shares of \$0.040 per share as settlement of convertible note payment for Tranche 2 convertible notes in accordance with the Tranche 2 of the Agreement dated 31 July 2020.
- On 20 January 2021, the Company issued 3,542,016 fully paid ordinary shares of \$0.040 per share as settlement of convertible note payment for Tranche 2 convertible notes in accordance with Tranche 2 of the Agreement dated 31 July 2020. Following this issue of shares, the Obsidian Convertible Note Tranche 1 and 2 have been fully repaid.

### *Management team*

On 8 October 2020, the Company announced the resignation of Mr Jamie Myers as a Non-Executive Director of the Company, effective from the conclusion of the 2020 Annual General Meeting.

On 1 December 2020, the Company announced the appointment of Mr Matthew O'Kane as a Non-Executive with effect from 30 November 2020.

On 25 January 2021, the Company appointed Michael Di Tommaso as Roto-Gro International Limited's Chief Executive Officer.

On 25 January 2021, Adam Clode ceased his position as Chief Executive Officer.



*December 2019 Placement*

On 11 November 2020, the Company issued 9,128,000 options attached to the fully paid ordinary shares issued on 31 December 2019 to institutional and sophisticated investors as approved at 2020 General Meeting on 9 October 2020. The options have an exercise price of \$0.20 and expire 11 November 2022.

On 7 December 2020, the Company issued 1,491,250 unlisted options to brokers for broker and investor relations services rendered in relation to capital raising undertaken on 31 December 2019. The options have an exercise price of \$0.20 and expire 7 December 2022.

*2020 Placement*

On 30 November 2020, the Company issued 38,261,350 fully paid ordinary shares at a deemed price of \$0.04 per share (2020 Placement) for a total of \$1.53 million (before costs) to professional and sophisticated investors in accordance with the Company's ASX announcement on 24 November 2020. Each share has attaching options on a 2:3 basis exercisable at \$0.05, expiring 31 December 2023. Peak Asset Management was the lead manager to the 2020 Placement and agreed a fee of 6% of the total funds raised which equated to \$91,800 (Fee) and, subject to shareholder approval which was obtained at a general meeting of shareholders held on 18 February 2021, the issue of 6,000,000 listed options with an exercise price of \$0.05 and expiry date of 31 December 2023.

On 8 December 2020, the Company issued 1,147,840 fully paid ordinary shares to Peak at a deemed issue price of \$0.04 per share (Ordinary Shares) in part settlement of the Fee. The remainder owing in relation to the Fee was paid in cash.

On 29 April 2021, the Company issued 6,000,000 Options issued to broker for Broker and Investor relations services rendered in October and November 2020 in relation to the facilitation of the 2020 Placement as approved at the General Meeting held on 18 February 2021. The options have an exercise price of \$0.05 and expire of 31 December 2023.

On 29 April 2021, the Company also issued 25,507,567 Options attached to the fully paid ordinary shares on a 2 for 3 basis issued on 30 November 2020 to institutional and sophisticated investors as approved at the 2021 General Meeting on 18 February 2021. The options have an exercise price of \$0.05 and expire of 31 December 2023.

*February 2021 Placement*

On 2 March 2021, the Company issued 40,000,000 fully paid ordinary shares at a deemed price of \$0.05 per share (Ordinary Shares) for a total of \$2 million (before costs) to institutional and sophisticated investors, in accordance with the Company's ASX announcements dated 24 February 2021 and 3 March 2021. The Placement was made to strengthen the Company's balance sheet to drive the roll-out of its perishable food division and in particular, vertical farming across USA and North America.

*Employee Incentive Plan*

On 9 March 2021, the Company issued 18,000,000 options with an exercise price of \$0.06 and expiry date 31 December 2023 under the Companies Employee Incentive Plan which was approved by shareholders at the 2019 AGM.

*Shares issue in lieu of Remuneration*

On 2 December 2020, the Company issued 1,372,915 fully paid ordinary shares at a deemed price of \$0.064252 per share (Ordinary Shares) to directors for in lieu of director fees approved at Resolution 4a and 4b at the AGM held 30 November 2020.

On 31 May 2021, the Company issued 12,265,622 fully paid ordinary shares at a deemed price of \$0.05 per share (Ordinary Shares) to the former CEO, Mr Adam Clode, in full and final satisfaction of all outstanding entitlements owed to him throughout the course of his employment with the Company. The shares issued are subject to voluntary escrow for a period of 6 months from their date of issue.

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 2021, 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.

*Purchase and Sale Agreement with Wolf Island Cannabis Inc*

On 7 July 2021, the Company announced that Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of the Company, had executed a Purchase and Sale Agreement with Wolf Island Cannabis Inc. ("Wolf Island") which includes a CAD \$380,000 technology purchase order for RotoGro's Patented and Proprietary Rotational Garden Systems and Plant Nutrient Management System. Wolf Island subsequently provided the Company with a CAD \$213,000 non-refundable deposit representing more than 50% of the purchase order for RotoGro's patented and proprietary cannabis technology. The payment by Wolf Island demonstrates its commitment to RotoGro as its agricultural technology supplier in the lawful cannabis space. The Facility will be the first in Ontario, Canada to be outfitted with the RotoGro Technology. This will be instrumental in bolstering the Company's presence in North America.

*February 2021 Placement*

As part of the Company's Capital Raising announced to the market on 24 February 2021, the Company agreed, subject to shareholder approval, to issue 26,666,667 Options (exercisable at \$0.06 on or before 31 December 2023) attached to the Placement Shares on a 2 for 3 basis. Also, as part of this raising, the Company agreed, subject to shareholder approval, to issue 6,000,000 Options (exercisable at \$0.06 on or before 31 December 2023) to Peak Asset Management Limited (or their nominees) for broker and investor relations services rendered in February and March 2021 in relation to the facilitation of the February 2021 Placement Offer. Shareholder approval to issue 32,666,667 options was obtained on 19 July 2021.

On 30 July 2021, the Company issued 32,666,667 options expiring 31 December 2023. 26,666,667 were issued as free attaching options to participants of the placement announced on 24 February 2021 and 6,000,000 options to the placement lead manager Peak Asset Management (or their nominees).

*July 2021 Placement*

On 20 July 2021, the Company announced a placement of shares to sophisticated and professional investors to raise \$2.2 million (before costs) (Placement) through the issue of 62,857,143 new fully paid ordinary shares at an issue price of \$0.035 per share (Placement Shares) together with, subject to Shareholder approval one free attaching Option for ever one Placement Share subscribed for and issued, exercisable at \$0.07 each and expiring 24 months from date of issue.

On or about 19 July 2021, the Company entered into a lead manager mandate with EverBlu Capital Pty Ltd ("EverBlu"), pursuant to which the Company engaged EverBlu to act as lead manager and corporate advisor to the Placement (Mandate). Under the Mandate, in relation to the Placement, the Company has agreed to pay EverBlu a fee of 6% on gross funds raised and, subject to shareholder approval, EverBlu will be entitled to 2,057,142 fully paid ordinary shares in the Company and 25,000,000 listed options on the following terms:

- 10,000,000 listed options with an exercise price of \$0.07 and expiring 24 months from date of issue;
- 15,000,000 listed options, each with an exercise price of \$0.105 and expiring 24 months from date of issue.

In the event that shareholder approval is not obtained within 120 days of the Mandate. The Company will be liable to pay the equivalent amount in cash based on an independent valuation of the Broker Options, such a cash payment to be capped at \$300,000.

On 23 July 2021, the Company issued 62,857,143 fully paid ordinary shares at an issue price of \$0.035 per share as part of the Placement in July 2021 to raise \$2.2 million (before costs).

*NASA and CSA Deep Space Food Challenge*

On 9 August 2021, the Company announced that it commenced the first phase of the NASA and CSA Deep Space Food Challenge, an international collaboration between the United States of America National Aeronautics and the Space Administration and the Canadian Space Agency. Roto-Gro's application into the Deep Space Food Challenge is its initial foray into the space industry, highlighting the technological diversification and adaptability of its patented and proprietary indoor vertical farming technology.

*Performance rights*

On 16 August 2021, the Company announced the lapse of 1,000,000 Class B Hanson Performance Shares as they have not met their performance conditions.

*Advisory Board*

On 30 August 2021, the Company announced that Keith Merker and Peter Kampian have joined Roto-Gro's inaugural Advisory Board. The Advisory Board has been established to expand the Company's reach in the lawful cannabis and perishable foods industries, particularly the indoor vertical farming space.

The Company has engaged the services of Mr Merker and Mr Kampian via a Consultancy Agreement for a term of 12 months (Consultancy Agreement). The aggregate securities payable by the Company under the Consultancy Agreement, to be apportioned equally, are as follows:

- (1) 4,000,000 options exercisable at \$0.04 each on or before the date which in 3 years from the date of issue, such options to vest in the below tranches:
  - a. 400,000 options to vest 5 business day from the date of the Consultancy Agreement (First Tranche); and
  - b. 300,000 options to vest each month commencing on the 1-month anniversary of the vesting of the First Tranche for a period of 12 months,
- (2) subject to shareholder approval, the issue of 2,000,000 options exercisable at \$0.04 each on or before the date which is 3 years from the date of issue, and vest in equal monthly tranches for a period of 12 month.

The Consultants will be paid a monthly fee by the Company and will receive a remuneration structure in accordance with industry standards for introducing and procuring transactions on behalf of the Company which are successfully completed during the term of the Agreement and for 24 months following the termination of the Agreement.

No other matter or circumstance has arisen since 30 June 2021 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 and the Vice-Chair 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 Canadian College of Patent Agents and Trademark Agents, 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 formerly leading the Company 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:	3,299,877 ordinary shares
Interests in options:	None
Interests in rights:	455,625 performance shares
Contractual rights to shares:	None

**Name:** Mr Michael Di Tommaso  
**Title:** Executive Director and Chief Executive Officer  
Chief Executive Officer (Appointed 25 January 2021)  
**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 then took on the expanded role of Executive Director and Chief Operations Officer. He was appointed to CEO on 25 January 2021. 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 partnerships with cultivators 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 (ASX:CAZ), Galan Lithium Limited (ASX:GLN) and Chairman of Charger Metals NL (ASX: CHR). 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.

**Other current directorships:** Cazaly Resources Limited (ASX:CAZ), Galan Lithium Limited (ASX:GLN) and Charger Metals NL (ASX: CHR).  
**Former directorships (last 3 years):** Affinity Energy and Health Limited (ASX:AEB).  
**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 (Resigned 30 November 2020)  
**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 Pathfinder Resources Ltd and Resources Base Ltd.

**Other current directorships:** Pathfinder Resources Ltd (ASX:PF1) and Resources Base Ltd (ASX:RBX).  
**Former directorships (last 3 years):** None  
**Interests in shares:** None  
**Interests in options:** None  
**Interests in rights:** None  
**Contractual rights to shares:** None

Name: Mr Matthew O'Kane  
Title: Non-Executive Director (Appointed 30 November 2020)  
Experience and expertise: Mr Matthew O'Kane has a Bachelor of Economics and Finance, and a MBA, from the Royal Melbourne Institute of Technology. He has over 25 years of finance experience in the mining, commodities and automotive sectors. Mr O'Kane held senior executive roles across a range of private and public companies in Australia, USA and Asia. He also spent nine years in Asia, gaining a wealth of experience and contacts in the region over a wide range of commodities from producing companies to exploration and development plays, as well as commodities trading.

Other current directorships: Comet Resources Limited (ASX: CRL), Azarga Uranium Corporation (TSX:AZZ)  
Former directorships (last 3 years): Pursuit Minerals Ltd (ASX: PUR), Orinoco Gold (ASX: OGX)  
Interests in shares: None  
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**

Andrew Palfreyman (Appointed 30 April 2021)

Andrew Palfreyman is a corporate lawyer specialising in equity capital markets and commercial transactions. He also acts as Company Secretary for listed and unlisted Australian companies in the technology, finance and energy sectors. With a focus on delivering prudent commercial outcomes, Andrew regularly advises clients on Australian corporate law, ASX Listing Rules and corporate governance compliance. He was admitted to the Supreme Court of NSW as a practising solicitor in 2018. Prior to his admission as a lawyer, Andrew was a strategic adviser to companies and governments specialising in public policy, corporate affairs and regulatory compliance.

### **Chief Financial Officer**

Karla Mallon (Appointed 30 April 2021)

Karla Mallon is a Chartered Accountant and holds a Masters in Mathematics from the University of Bath, England. With over 12 years in finance and accounting, both locally and internationally, Karla has experience in business services, external audit functions and senior accounting roles in commercial situations. Karla has worked for numerous ASX listed and unlisted public and private companies, in a range of industries covering oil and gas/ mineral exploration, technology, software development, manufacturing, and healthcare. Currently at Automic Group Karla delivers strategic financial, accounting and financial reporting services to ASX listed and pre-IPO unlisted companies.

### **Company secretary and CFO**

Melanie Leydin (Resigned 30 April 2021)

### **Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Michael Carli	12	12
Michael Di Tommaso	11	12
Terry Gardiner	12	12
Matthew O'Kane	5	5
Jamie Myers	6	6

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 (four 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 director's 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 2021 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 2021.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2021, 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 (2020: NIL).

#### *Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')*

At the 2020 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. 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 Executive Officer) (Appointed on 25 January 2021)
- Terry Gardiner (Non-Executive Director)
- Matthew O'Kane (Non-Executive Director) (Appointed on 30 November 2020)
- Jamie Myers (Non-Executive Director) (Resigned on 30 November 2020)

And the following person:

- Adam Clode (Chief Executive Officer) (Ceased employment on 25 January 2021)



	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
<b>30 June 2021</b>	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Terry Gardiner	48,000	-	-	4,560	-	-	52,560
Matthew O'Kane**	28,000	-	-	2,660	-	-	30,660
Jamie Myers***	-	-	-	-	-	20,000	20,000
Michael Carli****	43,876	-	-	-	-	29,555	73,431
<i>Executive Directors:</i>							
Michael Di Tommaso	199,653	-	-	-	-	-	199,653
<i>Other Key Management Personnel:</i>							
Adam Clode*****	-	-	-	-	-	542,866	542,866
	<u>319,529</u>	<u>-</u>	<u>-</u>	<u>7,220</u>	<u>-</u>	<u>592,421</u>	<u>919,170</u>

\* Mr O'Kane was appointed as a Non-Executive Director on 30 November 2020.

\*\* Mr Myers resigned as a Non-Executive Director on 30 November 2020. Mr Myers was paid shares as part of his Director remuneration for July to November 2020.

\*\*\* Mr Carli was paid shares as part of his Director remuneration for July to November 2020.

\*\*\*\* Mr Clode ceased employment as a Chief Executive Officer on 25 January 2021. Mr Clode was paid in shares for his remuneration (including entitlements) from July 2020 to January 2021. He was also paid six months of notice period amounting to \$133,955. Mr Clode was issued 3,000,000 options which were approved during the period.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
<b>30 June 2020</b>	\$	\$	\$	\$	\$	\$	\$
<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
	<u>554,591</u>	<u>-</u>	<u>-</u>	<u>19,375</u>	<u>-</u>	<u>464,349</u>	<u>1,038,315</u>

- \* 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.

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 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
<i>Non-Executive Directors:</i>						
Michael Carli	60%	100%	-	-	40%	-
Terry Gardiner	100%	100%	-	-	-	-
Matthew O'Kane	100%	-	-	-	-	-
Jamie Myers	-	100%	-	-	100%	-
<i>Executive Directors:</i>						
Michael Di Tommaso	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Adam Clode	-	27%	-	-	100%	73%

### **Service agreements**

#### *Michael Carli*

Mr Carli's remuneration package for his role as Non-Executive Chairman is CAD \$72,000 per annum. Mr Carli also acts as Director and President of the wholly owned subsidiaries of the Company, Roto-Gro World Wide (Canada) Inc., Roto-Gro World Wide Inc., Roto-Gro Inc., Roto-Gro Technology Inc., Roto-Gro International Inc., and Roto-Gro IP Inc. without additional remuneration. Mr Carli's engagement has no fixed term but may be terminated by the Company without cause by providing six months written notice. In the event of termination without cause by the Company, Mr Carli is entitled to receive three months base remuneration as a termination severance payment, payable within 7 days after the date of termination. The Company may otherwise terminate his engagement immediately for cause (e.g. serious misconduct). In the event of a change of control of the Company, Mr Carli may within 30 days of learning of the change of control give notice of his intention to terminate and is entitled to a severance payment equal to three months remuneration.

#### *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 (Resigned 30 November 2020)*

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 was entitled to receive directors' fees of \$48,000.

#### *Michael Di Tommaso (Appointed 25 January 2021 as Chief Executive Officer)*

The CEO Agreement is currently being drafted with KPI's subject to shareholder approval. Mr Di Tommaso base salary is CAD\$216,000.

*Matthew O'Kane*

Mr Matthew O'Kane'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 O'Kane is currently entitled to receive directors' fees of \$48,000 per annum plus 9.5% statutory minimum Superannuation.

*Adam Clode (Ceased 25 January 2021 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.
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

Adam Clode ceased employment as Chief Executive Officer 25 January 2021. 2 million of his performance rights lapsed on 12 January 2021 as the performance conditions were not met, the remaining 6 million performance rights were forfeited on 25 January 2021 upon employment termination.

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

**Share-based compensation**

*Issue of shares*

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Date	Shares	Issue price	\$
Michael Carli*	2 December 2020	874,877	\$0.064	56,212
Jamie Myers**	2 December 2020	498,038	\$0.064	32,000
Adam Clode***	31 May 2021	12,265,622	\$0.005	613,281

\* Mr Carli was issued 874,877 shares in lieu of \$56,213 (CAD \$54,000) deferred Director fees and Executive Remuneration

\*\* Mr Myers (Resigned 30 November 2020) was issued 498,038 shares in lieu of \$32,000 deferred Director fees and Executive Remuneration.

\*\*\* Mr Clode (Ceased employment 25 January 2021) was issued 12,265,622 shares for the full and final satisfaction of all outstanding entitlements owed to him throughout the course of his employment with the Company. The shares issued are subject to voluntary escrow for a period of 6 months from their date of issue.

*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*	3,000,000	09 March 2021	31 December 2023	0.0600	0.0205

\* Mr. Clode was issued with 3,000,000 options during the period.

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 2021 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 *	61,500	-	273,000	23%

\* Adam Clode ceased employment as Chief Executive Officer on 25 January 2021. 5,000,000 options issued on 15 August 2019 were forfeited on 25 January 2021 upon employment termination.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted	Value of options vested	Number of options lapsed	Value of options lapsed
				\$	\$		\$
Adam Clode	15 August 2019	15 August 2019	-	-	-	5,000,000	273,000
Adam Clode	9 March 2021	9 March 2021	3,000,000	61,500	-	-	-

*Performance rights*

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of rights for the year %
Adam Clode*	-	-	191,349	-

\* Adam Clode ceased employment as Chief Executive Officer 25 January 2021. 2,000,000 of his performance rights lapsed on 12 January 2021 as the performance conditions were not met, the remaining 6,000,000 performance rights were forfeited on 25 January 2021 upon employment termination.

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Grant date	Expiry date	Number of rights granted	Value of rights granted \$	Value of rights vested \$	Number of rights lapsed	Value of rights lapsed \$
Adam Clode	15 August 2019	31 December 2020	-	-	-	(1,000,000)	(22,857)
Adam Clode	15 August 2019	31 December 2021	-	-	-	(1,000,000)	(33,142)
Adam Clode	15 August 2019	31 December 2022	-	-	-	(2,000,000)	(32,674)
Adam Clode	15 August 2019	31 December 2020	-	-	-	(1,000,000)	(22,857)
Adam Clode	15 August 2019	31 December 2021	-	-	-	(1,000,000)	(33,142)
Adam Clode	15 August 2019	31 December 2022	-	-	-	(2,000,000)	(46,677)

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Sales revenue	-	678,596	1,139,840	464,055	3,276
EBITDA	(3,356,696)	(14,277,614)	(5,425,860)	(2,728,708)	(843,156)
Loss after income tax	(4,608,865)	(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:

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.04	0.05	0.16	0.36	0.35
Basic earnings per share (cents per share)	(2.20)	(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	874,877	-	-	3,299,877
Michael Di Tommaso	300,000	-	-	-	300,000
Terry Gardiner	98,054	-	-	-	98,054
Jamie Myers **	100,000	498,038	-	(598,038)	-
Adam Clode ***	375,000	12,265,622	-	(12,640,622)	-
	<u>3,298,054</u>	<u>13,638,537</u>	<u>-</u>	<u>(13,238,660)</u>	<u>3,697,931</u>

\* Michael Carli was issued 874,877 shares in lieu of deferred Director fees.

\*\* James Myers was issued 498,038 shares in lieu of deferred Director fees. Mr Myers resigned his role on 30 November 2020. Disposals/others represents disposals of 598,038 shares during the period.

\*\*\* Adam Clode ceased employment on 25 January 2021. On 31 May 2021, Mr Clode was issued 12,265,622 shares for the full and final satisfaction of all outstanding entitlements owed to him throughout the course of his employment with the Company. These shares issued are subject to voluntary escrow for a period of 6 months from their date of issue. Disposals/others represents 12,640,622 shares held at termination date.

**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	3,000,000	-	(8,000,000)	-
	<u>5,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>(8,000,000)</u>	<u>-</u>

\* Adam Clode ceased employment as Chief Executive Officer on 25 January 2021. Mr Clode was issued 3,000,000 options which were approved during the period. Expired/forfeited/other represents the lapse of 5,000,000 options on 25 January 2021 upon termination and 3,000,000 options issued after termination and held at date of the report.

**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	-	(455,625)	455,625
Terry Gardiner	225,000	-	-	225,000
Adam Clode**	8,000,000	-	(8,000,000)	-
	<u>9,136,250</u>	<u>-</u>	<u>(8,455,625)</u>	<u>680,625</u>

\* 455,625 Class C Performance Rights lapsed in June 2020.

\*\* Adam Clode ceased employment as Chief Executive Officer on 25 January 2021. 2,000,000 of his performance rights lapsed on 12 January 2021 as the performance conditions were not met, the remaining 6,000,000 performance rights were forfeited on 25 January 2021 upon employment termination.

*Loans to key management personnel and their related parties*

There are no loans to directors or executives at reporting date (30 June 2020: Nil).

*Other transactions with key management personnel and their related parties*

*During the year ended 30 June 2021 the following related party transactions occurred:*

- Baker Young Stockbrokers Limited, a related entity of Jamie Myers, was paid \$13,200 (including GST) in advisory fees.
- Ranger Resources, a related entity of Adam Clode, was paid by shares \$124,112 (CAD \$118,800) in CEO fees.

***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
29 November 2019	24 December 2021	\$0.322	8,000,000
29 November 2019	24 December 2021	\$0.322	3,650,000
11 November 2020	11 November 2022	\$0.200	9,128,000
30 November 2020	7 December 2022	\$0.200	1,491,250
18 February 2021	31 December 2023	\$0.050	6,000,000
18 February 2021	31 December 2023	\$0.050	25,507,567
09 March 2021	31 December 2023	\$0.060	18,000,000
30 July 2021	31 December 2023	\$0.005	32,666,667
			104,443,484

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 2022	1,000,000
28 February 2019	2 July 2023	2,000,000
28 March 2019	28 September 2021	9,186,360
		21,186,360

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 2021 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 2021 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 (2020: \$1,000). Refer to note 28.

### **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*

Michael Carli  
Non-Executive Chairman

31 August 2021



**RSM Australia Partners**

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

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

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

**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 2021, 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 2021

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

**Roto-Gro International Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Sales revenue	5	-	678,596
Other income	5	520,659	288,078
<b>Expenses</b>			
Cost of goods sold		(10,683)	(1,036,651)
Design and innovation expense		(1,000,196)	(763,714)
Business development expense		(161,510)	(482,008)
Depreciation expense	14	(321,171)	(327,468)
Impairment expense	7	-	(10,103,005)
Amortisation expense	16	(432,103)	(831,176)
Share based payments expense	36	(899,631)	(708,167)
Research and development expenses		(257,167)	(382,851)
Finance costs		(498,895)	-
Corporate and administration expenses	6	(1,548,168)	(1,945,094)
<b>Loss before income tax expense from continuing operations</b>		(4,608,865)	(15,613,460)
Income tax expense	8	-	-
Loss after income tax expense from continuing operations		(4,608,865)	(15,613,460)
Loss after income tax expense from discontinued operations	9	-	(262,695)
<b>Loss after income tax expense for the year attributable to the owners of Roto-Gro International Limited</b>		(4,608,865)	(15,876,155)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Derecognition of foreign currency reserve		-	76,281
Foreign currency translation		(21,996)	(30,821)
Other comprehensive income for the year, net of tax		(21,996)	45,460
<b>Total comprehensive income for the year attributable to the owners of Roto-Gro International Limited</b>		<u>(4,630,861)</u>	<u>(15,830,695)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(4,630,861)	(15,568,000)
Discontinued operations		-	(262,695)
		<u>(4,630,861)</u>	<u>(15,830,695)</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 2021**



		Cents	Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of Roto-Gro International Limited</b>			
Basic earnings per share	35	(2.20)	(11.20)
Diluted earnings per share	35	(2.20)	(11.20)
<b>Earnings per share for loss from discontinued operations attributable to the owners of Roto-Gro International Limited</b>			
Basic earnings per share	35	-	(0.19)
Diluted earnings per share	35	-	(0.19)
<b>Earnings per share for loss attributable to the owners of Roto-Gro International Limited</b>			
Basic earnings per share	35	(2.20)	(11.39)
Diluted earnings per share	35	(2.20)	(11.39)

*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 2021**



	Note	Consolidated 30 June 2021 \$	30 June 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	1,638,368	345,524
Trade and other receivables	11	95,944	37,991
Inventories	12	895,184	624,643
Other current assets	13	115,610	176,085
<b>Total current assets</b>		<u>2,745,106</u>	<u>1,184,243</u>
<b>Non-current assets</b>			
Plant and equipment	14	1,067,404	1,033,727
Right-of-use assets	15	178,476	319,760
Intangibles	16	7,605,298	8,037,401
<b>Total non-current assets</b>		<u>8,851,178</u>	<u>9,390,888</u>
<b>Total assets</b>		<u>11,596,284</u>	<u>10,575,131</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	306,402	648,183
Lease liabilities	18	151,317	143,788
Employee benefits	19	67,082	50,754
Other current liabilities	20	524,571	520,715
<b>Total current liabilities</b>		<u>1,049,372</u>	<u>1,363,440</u>
<b>Non-current liabilities</b>			
Lease liabilities	21	49,602	210,917
<b>Total non-current liabilities</b>		<u>49,602</u>	<u>210,917</u>
<b>Total liabilities</b>		<u>1,098,974</u>	<u>1,574,357</u>
<b>Net assets</b>		<u>10,497,310</u>	<u>9,000,774</u>
<b>Equity</b>			
Issued capital	22	34,400,721	28,807,975
Reserves	23	3,486,463	7,061,615
Accumulated losses		<u>(27,389,874)</u>	<u>(26,868,816)</u>
<b>Total equity</b>		<u>10,497,310</u>	<u>9,000,774</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 2021**



<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share-based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2019	26,893,742	5,974,768	128,215	(10,962,596)	22,034,129
Adjustment for change in accounting policy	-	-	-	(30,065)	(30,065)
Balance at 1 July 2019 - restated	26,893,742	5,974,768	128,215	(10,992,661)	22,004,064
Loss after income tax expense for the 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 22)	1,867,233	-	-	-	1,867,233
Transfer to issued capital	47,000	(47,000)	-	-	-
Share-based payments (note 36)	-	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>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	28,807,975	6,887,940	173,675	(26,868,816)	9,000,774
Loss after income tax expense for the year	-	-	-	(4,608,865)	(4,608,865)
Other comprehensive income for the year, net of tax	-	-	(21,996)	-	(21,996)
Total comprehensive income for the year	-	-	(21,996)	(4,608,865)	(4,630,861)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 22)	5,592,746	-	-	-	5,592,746
Share-based payments (note 36)	-	368,710	-	-	368,710
Issue of options as part of capital raising costs	-	165,941	-	-	165,941
Transfer relating to options and rights expired and/or forfeited	-	(4,087,807)	-	4,087,807	-
Balance at 30 June 2021	<u>34,400,721</u>	<u>3,334,784</u>	<u>151,679</u>	<u>(27,389,874)</u>	<u>10,497,310</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 2021**



	<b>Note</b>	<b>Consolidated</b>	<b>30 June 2020</b>
		<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		-	1,132,377
Payments to suppliers and employees (inclusive of GST)		(2,943,539)	(3,445,207)
Payments for product manufacturing		(379,986)	(2,013,931)
Government grant received		461,387	170,264
Interest received		1,319	1,493
Lease liabilities interest paid		(13,916)	(22,166)
<b>Net cash used in operating activities</b>	<b>34</b>	<b>(2,874,735)</b>	<b>(4,177,170)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	14	(230,835)	(415,535)
Net cash disposed of on disposal of subsidiary	9	-	(565)
<b>Net cash used in investing activities</b>		<b>(230,835)</b>	<b>(416,100)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of transaction costs)		3,309,845	2,119,239
Repayment of lease liabilities		(139,870)	(159,391)
Convertible note		1,250,000	-
<b>Net cash from financing activities</b>		<b>4,419,975</b>	<b>1,959,848</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,314,405</b>	<b>(2,633,422)</b>
Cash and cash equivalents at the beginning of the financial year		345,524	3,008,940
Effects of exchange rate changes on cash and cash equivalents		(21,561)	(29,994)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>10</b>	<b>1,638,368</b>	<b>345,524</b>

*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 5, 126 Phillip Street  
Sydney  
NSW 2000

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 2021. 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:

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

### **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 \$4,608,865 and had net cash outflows from operating activities of \$2,874,735 and investing activities \$230,835 respectively and net cash inflows from financing activities of \$4,419,975 for the year ended 30 June 2021. As at that date the group had net current assets of \$1,695,734.

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.

The Board believe that it is reasonably foreseeable that the group 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 20), is an amount of \$524,571 relating to income received in advance from customers which will be recognised as revenue during the next twelve to eighteen months 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 2022;
- In July 2021, the group successfully raised \$2.2 million (before costs) through a placement of 62,857,143 new fully paid ordinary shares at an issue price of \$0.035 per share to institutional, professional, and sophisticated investors (shares issued on 23 July 2021);
- On 22 July 2021, the Company announced it had secured a binding CAD \$380,000 purchase order pursuant to a Purchase and Sale Agreement executed with Wolf Island Cannabis Inc. Wolf Island subsequently provided the Company with a CAD \$213,000 non-refundable deposit towards the purchase order.
- The group has the ability to issue additional equity securities under the Corporations Act 2001 to raise further working capital; and
- The group 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 31.

### **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 2021 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.

### **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.

## **Note 2. Significant accounting policies (continued)**

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.

### **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 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **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 36 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 2021 and 2020:

*Operating segment information*

<b>Consolidated - 30 June 2021</b>	Australia \$	Canada \$	Mauritius \$	USA* \$	Total \$
<b>Revenue</b>					
Interest income	123	1,196	-	-	1,319
Other revenue	10,000	509,340	-	-	519,340
<b>Total revenue</b>	<u>10,123</u>	<u>510,536</u>	<u>-</u>	<u>-</u>	<u>520,659</u>
<b>EBITDA</b>	(1,118,084)	(2,152,679)	(85,933)	-	(3,356,696)
Depreciation and amortisation	(432,103)	(321,171)	-	-	(753,274)
Finance costs	(498,895)	-	-	-	(498,895)
<b>Loss before income tax expense</b>	<u>(2,049,082)</u>	<u>(2,473,850)</u>	<u>(85,933)</u>	<u>-</u>	<u>(4,608,865)</u>
Income tax expense					-
<b>Loss after income tax expense</b>					<u>(4,608,865)</u>
<b>Assets</b>					
Segment assets	113,142	3,874,797	7,608,345	-	11,596,284
<b>Total assets</b>					<u>11,596,284</u>
<b>Liabilities</b>					
Segment liabilities	119,620	865,854	113,500	-	1,098,974
<b>Total liabilities</b>					<u>1,098,974</u>

**Note 4. Operating segments (continued)**

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

\*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**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers		
Sale of goods	-	678,596
	<u>-</u>	<u>678,596</u>
Other Revenue		
Interest income (a)	1,319	371
Government Grants (b)	519,340	170,264
Gain on forgiveness of debts (c)	-	117,443
	<u>520,659</u>	<u>288,078</u>

**(a) Interest Income**

Interest income relates to interest on bank accounts balances.

**Note 5. Revenue (continued)**

**(b) Government Grants**

During the year ended 30 June 2021 the consolidated entity received \$519,340 of COVID-19 related government grants. This includes \$10,000 in Cash flow Boost payments in Australia and \$509,340 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 was forgiven during the year ended 30 June 2020 as a part of the purchase of Roto-Gro Inc by Roto-Gro International Limited.

**Consolidated**  
**30 June 2021 30 June 2020**

Disaggregation of revenue		
Roto-Gro unit sales	-	678,596
Total revenue from continuing operations	-	<u>678,596</u>

For the periods ended 30 June 2021 and 2020, 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. Corporate and administrative costs**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense	492,901	370,810
Travel and entertainment costs	21,959	63,162
Professional fees	248,096	198,855
Legal expense	224,898	243,282
Consultants – corporate advisory and investor relations	130,655	584,339
Other administration expenses	429,659	484,646
	<u>1,548,168</u>	<u>1,945,094</u>

**Note 7. Impairment expense**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Write off investment in Gibio	-	439,897
Impairment of intangible assets (note 16)	-	9,663,108
	<u>-</u>	<u>10,103,005</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.

Refer to note 16 for details of the impairment of intangible assets.

**Note 8. Income tax expense**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(4,608,865)	(15,613,460)
Loss before income tax expense from discontinued operations	-	(262,695)
	<u>(4,608,865)</u>	<u>(15,876,155)</u>
Tax at the statutory tax rate of 30%	(1,382,660)	(4,762,847)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	84,442	3,441,626
Temporary differences not brought to account	(116,200)	(68,108)
Tax losses carried forward	1,414,418	1,389,329
Income tax expense	<u>-</u>	<u>-</u>

**Note 8. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Deductible temporary differences	(59,738)	(95,386)
Revenue losses	<u>2,649,282</u>	<u>2,714,576</u>
Total deferred tax assets not recognised	<u><u>2,589,544</u></u>	<u><u>2,619,190</u></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 2021 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 9. 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 9. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Fertigation sales	-	225,539
Other Income	-	2,797
Cost of goods sold	-	(389,061)
Corporate and administration expenses	-	(229,533)
Total expenses	-	(618,594)
Loss before income tax expense	-	(390,258)
Income tax expense	-	-
Loss after income tax expense	-	(390,258)
Gain on disposal before income tax	-	127,563
Income tax expense	-	-
Gain on disposal after income tax expense	-	127,563
Loss after income tax expense from discontinued operations	-	(262,695)

*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 10. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	1,638,368	345,524

*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 11. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Other receivables	<u>95,944</u>	<u>37,991</u>

*Accounting policy for trade and other receivables*

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

**Note 12. Current assets - inventories**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Raw materials - at cost	689,291	560,676
Work in progress - at cost	<u>205,893</u>	<u>63,967</u>
	<u>895,184</u>	<u>624,643</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 13. Current assets - other current assets**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Prepayments	<u>115,610</u>	<u>176,085</u>

**Note 14. Non-current assets - Plant and equipment**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements	568,680	545,004
Less: Accumulated depreciation	<u>(233,026)</u>	<u>(124,374)</u>
	<u>335,654</u>	<u>420,630</u>
Motor vehicles - at cost	43,661	43,677
Less: Accumulated depreciation	<u>(25,334)</u>	<u>(17,689)</u>
	<u>18,327</u>	<u>25,988</u>
Computer equipment - at cost	73,233	70,048
Less: Accumulated depreciation	<u>(31,582)</u>	<u>(19,012)</u>
	<u>41,651</u>	<u>51,036</u>
Plant and equipment - at cost	896,049	685,342
Less: Accumulated depreciation	<u>(224,277)</u>	<u>(149,269)</u>
	<u>671,772</u>	<u>536,073</u>
	<u><u>1,067,404</u></u>	<u><u>1,033,727</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:

<b>Consolidated</b>	Leasehold improvements \$	Motor vehicle \$	Computer equipment \$	Plant and equipment \$	Total \$
Balance at 1 July 2019	293,585	37,933	51,995	454,582	838,095
Additions	208,301	-	14,461	192,773	415,535
Disposals from discontinued operations	-	-	-	(5,930)	(5,930)
Exchange differences	(11,942)	(332)	(1,114)	(13,567)	(26,955)
Depreciation expense	<u>(69,314)</u>	<u>(11,613)</u>	<u>(14,306)</u>	<u>(91,785)</u>	<u>(187,018)</u>
Balance at 30 June 2020	420,630	25,988	51,036	536,073	1,033,727
Additions	23,527	-	3,152	204,156	230,835
Exchange differences	149	(16)	33	2,045	2,211
Depreciation expense	<u>(108,652)</u>	<u>(7,645)</u>	<u>(12,570)</u>	<u>(70,502)</u>	<u>(199,369)</u>
Balance at 30 June 2021	<u><u>335,654</u></u>	<u><u>18,327</u></u>	<u><u>41,651</u></u>	<u><u>671,772</u></u>	<u><u>1,067,404</u></u>

*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.

**Note 14. Non-current assets - Plant and equipment (continued)**

**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 15. Non-current assets - right-of-use assets**

	Consolidated 30 June 2021	Consolidated 30 June 2020
Motor Vehicles - right-of-use	32,286	32,286
Less: Accumulated depreciation	(12,401)	(4,626)
Less: Exchange differences	(582)	(572)
	<u>19,303</u>	<u>27,088</u>
Land and buildings - right-of-use	410,574	429,099
Less: Accumulated depreciation	(249,851)	(135,824)
Less: Exchange differences	(1,550)	(603)
	<u>159,173</u>	<u>292,672</u>
	<u><u>178,476</u></u>	<u><u>319,760</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:

<b>Consolidated</b>	Motor vehicles \$	Land and Buildings \$	Total \$
Balance at 1 July 2019	-	-	-
Balance upon adoption of AASB 16 on 1 July 2019	32,286	429,099	461,385
Exchange differences	(572)	(603)	(1,175)
Depreciation expense	(4,626)	(135,824)	(140,450)
Balance at 30 June 2020	27,088	292,672	319,760
Revaluation decrements	-	(18,525)	(18,525)
Exchange differences	(10)	(947)	(957)
Depreciation expense	(7,775)	(114,027)	(121,802)
Balance at 30 June 2021	<u><u>19,303</u></u>	<u><u>159,173</u></u>	<u><u>178,476</u></u>

**Note 15. Non-current assets - right-of-use assets (continued)**

*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.

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 16. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Intellectual property - at cost	8,878,339	17,358,001
Less: Accumulated amortisation	(2,172,430)	(1,810,485)
Less: Impairment	-	(8,479,662)
	<u>6,705,909</u>	<u>7,067,854</u>
Patents and trademarks - at cost	1,239,086	2,422,532
Less: Accumulated amortisation	(339,697)	(269,539)
Less: Impairment	-	(1,183,446)
	<u>899,389</u>	<u>969,547</u>
	<u><u>7,605,298</u></u>	<u><u>8,037,401</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:

<b>Consolidated</b>	Intellectual property \$	Patent \$	Total \$
Balance at 1 July 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	7,067,854	969,547	8,037,401
Amortisation expense	(361,945)	(70,158)	(432,103)
Balance at 30 June 2021	<u><u>6,705,909</u></u>	<u><u>899,389</u></u>	<u><u>7,605,298</u></u>

### **Note 16. Non-current assets - intangibles (continued)**

For the year ended 30 June 2021, the recoverable amount of the intangibles assets have been determined based on value-in-use calculations of the Roto-Gro CGU, which uses cash flow projections based on a 1.5 year projection period approved by management and extrapolated for a further 3.5 years using estimated growth rates.

Key assumptions used in the value-in-use calculations for the Roto-Gro CGU are based on management's latest forecast for financial years 2022 to 2026 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; 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 5% per annum (2% per annum for the three years from financial year 2024 to financial year 2026).

#### *Gross margins*

Gross margins ranging from 35% to 43% were used for the value-in-use calculation.

#### *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.

Cost of sales are set at 55% of revenue with other operating costs set at 20% growth in financial years 2023 and 2024. (with 1.6% growth post 2024).

#### *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 26.8% per annum.

#### *Review outcome*

In completing the impairment review based on the aforementioned business-as-usual assumptions, no impairment is required on the carrying value of the intangible assets.

#### *Sensitivities*

As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of the intangibles assets. Should these judgements and estimates not occur the carrying amount of intangible assets may decrease. The sensitive are as follows:

- Revenue would need to decrease by more than 2% for the CGU before the intangible assets would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to decrease by 3.1% for the CGU to break-even, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the intangible assets is based would not cause the cash-generating unit's carrying amount to exceed its 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.

**Note 16. Non-current assets - intangibles (continued)**

*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 17. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Trade payables	124,305	234,014
Other payables	182,097	414,169
	<u>306,402</u>	<u>648,183</u>

Refer to note 25 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 18. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Lease liability	<u>151,317</u>	<u>143,788</u>

**Note 19. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Employee benefits	<u>67,082</u>	<u>50,754</u>

*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 20. Current liabilities - other current liabilities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Contract liabilities	<u>524,571</u>	<u>520,715</u>

*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:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Opening balance	520,715	1,028,846
Foreign exchange difference	3,856	(26,252)
Contract liabilities of discontinued operations derecognised	<u>-</u>	<u>(481,879)</u>
Closing balance	<u>524,571</u>	<u>520,715</u>

*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 \$524,571 as at 30 June 2021 (2020: \$520,715) and is expected to be recognised as revenue in future periods as follows:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
Within 6 months	-	-
6 to 12 months	-	520,715
12 to 18 months	524,571	-
18 to 24 months	<u>-</u>	<u>-</u>
	<u>524,571</u>	<u>520,715</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 21. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>49,602</u>	<u>210,917</u>



**Note 21. Non-current liabilities - lease liabilities (continued)**

*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 22. Equity - issued capital**

	<b>Consolidated</b>			
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>279,735,654</u>	<u>148,965,486</u>	<u>34,400,721</u>	<u>28,807,975</u>

**Note 22. Equity - issued capital (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2019	129,875,881		26,893,742
Shares issued - 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				(491,566)
Balance	30 June 2020	148,965,486		28,807,975
Shares issued to Obsidian for commitment fee associated with convertible notes Tranche 1 (share issue cost)	7 August 2020	307,061	\$0.041	12,500
Shares issued to Obsidian for collateral (share issue cost)	7 August 2020	2,000,000	\$0.075	150,000
Shares issued to Obsidian for finance cost of convertible notes	6 October 2020	90,306	\$0.044	4,001
Shares issued to Obsidian for commitment fee associated with convertible notes Tranche 2 (share issue cost)	16 October 2020	1,123,451	\$0.045	50,000
Shares issued to Obsidian for collateral of convertible notes	16 October 2020	4,737,750	\$0.075	355,331
Shares issued to Obsidian for finance cost of convertible notes	6 November 2020	843,839	\$0.040	33,539
Shares issued to Obsidian for finance cost of convertible notes	19 November 2020	942,522	\$0.040	37,461
Shares issued to institutional sophisticated investors	30 November 2020	38,261,350	\$0.040	1,530,454
Shares issued to Obsidian for settlement of convertible notes	30 November 2020	1,256,699	\$0.039	49,227
Shares issued to Obsidian for settlement of convertible notes	30 November 2020	2,395,367	\$0.040	95,815
Shares issued to directors in settlement of deferred wages	2 December 2020	1,372,915	\$0.064	88,212
Shares issued to Obsidian for settlement of convertible notes	2 December 2020	4,057,893	\$0.040	162,315
Shares issued to broker in settlement of fees owed (share issue cost)	8 December 2020	1,147,840	\$0.040	45,914
Shares issued to Obsidian for settlement of convertible notes	8 December 2020	10,295,396	\$0.040	411,816
Shares issued to Obsidian for settlement of convertible notes	17 December 2020	6,130,141	\$0.040	245,206
Shares issued to Obsidian for settlement of convertible notes	20 January 2021	3,542,016	\$0.040	141,684
Placement of shares	2 March 2021	40,000,000	\$0.050	2,000,000
Shares issued to Mr Adam Clode for all outstanding entitlements owed to him on his employment with the Company	31 May 2021	12,265,622	\$0.050	613,281
Capital raising costs				(434,010)
Balance	30 June 2021	<u>279,735,654</u>		<u>34,400,721</u>

On 4 August 2020 Roto-Gro International Limited announced the execution of two Convertible Securities Agreements with Obsidian Global GP, LLC for the investment by Obsidian of a total of up to \$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.

**Note 22. Equity - issued capital (continued)**

Pursuant to the Convertible Securities Agreement, Obsidian elected to convert the full value of the note to securities in the Company and 37,722,441 shares were issued during the year ended 30 June 2021. On 15 February 2021, the Company announced that the note had been paid in full.

*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 2020 Annual Report.

*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 23. Equity - reserves**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Foreign currency reserve	151,679	173,675
Share-based payments reserve	3,334,784	6,887,940
	<u>3,486,463</u>	<u>7,061,615</u>

**Note 23. Equity - reserves (continued)**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Share based payment reserve</b>		
Opening balance	6,887,940	5,974,768
Share based payments	368,710	960,172
Issue of options as part of capital raising costs	165,941	-
Transfer to issued capital upon issue of shares	-	(47,000)
Transfer relation to options and rights expired and/or cancelled	(4,087,807)	-
	<u>3,334,784</u>	<u>6,887,940</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 36.

**Note 24. Equity - dividends**

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

**Note 25. 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

***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):

Note 25. Financial instruments (continued)

	AUD \$	2021 CAD \$	USD \$	AUD \$	2020 CAD \$	USD \$
Cash and cash equivalents	104,952	1,533,416	-	114,912	230,613	-
Trade and other receivables	8,190	87,754	-	11,941	26,050	-
Inventories	-	895,184	-	-	624,643	-
Trade and other payables	(119,620)	(140,364)	(113,501)	(184,318)	(373,528)	(103,092)
	<u>(6,478)</u>	<u>2,375,990</u>	<u>(113,501)</u>	<u>(57,465)</u>	<u>507,778</u>	<u>(103,092)</u>

Consolidated - 30 June 2021	% change	AUD / CAD change Effect on		% change	AUD / USD change Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
Cash and cash equivalents	10%	153,342	153,342	-	-	-
Trade and other receivables	10%	8,775	8,775	-	-	-
Inventories	10%	89,518	89,518	-	-	-
Trade and other payables	10%	(14,036)	(14,036)	-	(11,350)	(11,350)
		<u>237,599</u>	<u>237,599</u>		<u>(11,350)</u>	<u>(11,350)</u>

Consolidated - 30 June 2020	% change	AUD / CAD change Effect on		% change	AUD / USD change Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
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>

*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:

Consolidated	30 June 2021 Balance \$	30 June 2020 Balance \$
Cash and cash equivalents	1,638,368	345,524
Net exposure to cash flow interest rate risk	<u>1,638,368</u>	<u>345,524</u>

There were no financial liabilities exposed to interest rate risk.

## **Note 25. Financial instruments (continued)**

### *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 26. 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 27. 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 Executive Officer) (Appointed Chief Executive Officer 25 January 2021)
Terry Gardiner	(Non-Executive Director)
Matthew O'Kane	(Non-Executive Director) (Appointed 30 November 2020)
Jamie Myers	(Non-Executive Director) (Resigned 30 November 2020)

**Note 27. Key management personnel disclosures (continued)**

*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 (Ceased employment 25 January 2021)
------------	---

*Compensation*

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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	319,529	554,591
Post-employment benefits	7,220	19,375
Share-based payments	592,421	464,349
	<u>919,170</u>	<u>1,038,315</u>

**Note 28. Remuneration of auditors**

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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - RSM Australia</i>		
Audit or review of the financial statements	<u>63,000</u>	<u>64,300</u>
<i>Other services - RSM Australia</i>		
Taxation services	<u>1,000</u>	<u>1,000</u>
	<u>64,000</u>	<u>65,300</u>

**Note 29. Contingent assets and liabilities**

There were no contingent assets and liabilities as at 30 June 2021 (2020: Nil).

**Note 30. Related party transactions**

*Parent entity*

Roto-Gro International Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 32.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

**Note 30. Related party transactions (continued)**

*Transactions with related parties*

During the year ended 30 June 2021 the following related party transactions occurred:

- Baker Young Stockbrokers Limited, a related entity of Jamie Myers, was paid \$13,200 (including GST) in advisory fees.
- Ranger Resources, a related entity of Adam Clode, was paid by shares \$124,112 (CAD \$118,800) in CEO fees.

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.

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 2020: 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 31. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	<b>Parent</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Loss after income tax	(2,048,883)	(7,111,218)
Total comprehensive income	(2,048,883)	(7,111,218)

*Statement of financial position*

	<b>Parent</b>	<b>Parent</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Total current assets	113,142	234,977
Total assets	10,616,930	9,185,092
Total current liabilities	119,620	184,318
Total liabilities	119,620	184,318
Equity		
Issued capital	34,400,722	28,807,975
Share-based payments reserve	3,334,784	6,887,940
Accumulated losses	(27,238,196)	(26,695,141)
Total equity	<u>10,497,310</u>	<u>9,000,774</u>



**Note 31. Parent entity information (continued)**

*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 2020 and 30 June 2021.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2021.

*Capital commitments - Plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 30 June 2020 and 30 June 2021.

*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 32. 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 2021 %	30 June 2020 %
Roto-Gro World Wide Inc	Mauritius	100.00%	100.00%
Roto-Gro World Wide (Canada) Inc	Canada	100.00%	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%

**Note 33. 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 2021, 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.

*Purchase and Sale Agreement with Wolf Island Cannabis Inc*

On 7 July 2021, the Company announced that Roto-Gro World Wide (Canada) Inc., a wholly-owned subsidiary of the Company, had executed a Purchase and Sale Agreement with Wolf Island Cannabis Inc. (Wolf Island) which includes a CAD \$380,000 technology purchase order for RotoGro's Patented and Proprietary Rotational Garden Systems and Plant Nutrient Management System. Wolf Island subsequently provided the Company with a CAD \$213,000 non-refundable deposit representing more than 50% of the purchase order for RotoGro's patented and proprietary cannabis technology. The payment by Wolf Island demonstrates its commitment to RotoGro as its agricultural technology supplier in the lawful cannabis space. The Facility will be the first in Ontario, Canada to be outfitted with the RotoGro Technology. This will be instrumental in bolstering the Company's presence in North America.

**Note 33. Events after the reporting period (continued)**

*February 2021 Placement*

As part of the Company's Capital Raising announced to the market on 24 February 2021, the Company agreed, subject to shareholder approval, to issue 26,666,667 Options (exercisable at \$0.06 on or before 31 December 2023) attached to the Placement Shares on a 2 for 3 basis. Also, as part of this raising, the Company agreed, subject to shareholder approval, to issue 6,000,000 Options (exercisable at \$0.06 on or before 31 December 2023) to Peak Asset Management Limited (or their nominees) for broker and investor relations services rendered in February and March 2021 in relation to the facilitation of the February 2021 Placement Offer. Shareholder approval to issue 32,666,667 options was obtained on 19 July 2021.

On 30 July 2021, the Company issued 32,666,667 options expiring 31 December 2023. 26,666,667 were issued as free attaching options to participants of the placement announced on 24 February 2021 and 6,000,000 options to the placement lead manager Peak Asset Management (or their nominees).

*July 2021 Placement*

On 20 July 2021, the Company announced a placement of shares to sophisticated and professional investors to raise \$2.2 million (before costs) (Placement) through the issue of 62,857,143 new fully paid ordinary shares at an issue price of \$0.035 per share (Placement Shares) together with, subject to Shareholder approval one free attaching Option for ever one Placement Share subscribed for and issued, exercisable at \$0.07 each and expiring 24 months from date of issue.

On or about 19 July 2021, the Company entered into a lead manager mandate with EverBlu Capital Pty Ltd ("EverBlu"), pursuant to which the Company engaged EverBlu to act as lead manager and corporate advisor to the Placement (Mandate). Under the Mandate, in relation to the Placement, the Company has agreed to pay EverBlu a fee of 6% on gross funds raised and, subject to shareholder approval, EverBlu will be entitled to 2,057,142 fully paid ordinary shares in the Company and 25,000,000 listed options on the following terms:

- 10,000,000 listed options with an exercise price of \$0.07 and expiring 24 months from date of issue;
- 15,000,000 listed options, each with an exercise price of \$0.105 and expiring 24 months from date of issue.

In the event that shareholder approval is not obtained within 120 days of the Mandate. The Company will be liable to pay the equivalent amount in cash based on an independent valuation of the Broker Options, such a cash payment to be capped at \$300,000.

On 23 July 2021, the Company issued 62,857,143 fully paid ordinary shares at an issue price of \$0.035 per share as part of the Placement in July 2021 to raise \$2.2 million (before costs).

*NASA and CSA Deep Space Food Challenge*

On 9 August 2021, the Company announced that it commenced the first phase of the NASA and CSA Deep Space Food Challenge, an international collaboration between the United States of America National Aeronautics and the Space Administration and the Canadian Space Agency. Roto-Gro's application into the Deep Space Food Challenge is its initial foray into the space industry, highlighting the technological diversification and adaptability of its patented and proprietary indoor vertical farming technology.

*Performance rights*

On 16 August 2021, the Company announced the lapse of 1,000,000 Class B Hanson Performance Shares as they have not met their performance conditions.

*Advisory Board*

On 30 August 2021, the Company announced that Keith Merker and Peter Kampian have joined Roto-Gro's inaugural Advisory Board. The Advisory Board has been established to expand the Company's reach in the lawful cannabis and perishable foods industries, particularly the indoor vertical farming space.

The Company has engaged the services of Mr Merker and Mr Kampian via a Consultancy Agreement for a term of 12 months (Consultancy Agreement). The aggregate securities payable by the Company under the Consultancy Agreement, to be apportioned equally, are as follows:

**Note 33. Events after the reporting period (continued)**

- (1) 4,000,000 options exercisable at \$0.04 each on or before the date which in 3 years from the date of issue, such options to vest in the below tranches:
- 400,000 options to vest 5 business day from the date of the Consultancy Agreement (First Tranche); and
  - 300,000 options to vest each month commencing on the 1-month anniversary of the vesting of the First Tranche for a period of 12 months,
- (2) subject to shareholder approval, the issue of 2,000,000 options exercisable at \$0.04 each on or before the date which is 3 years from the date of issue, and vest in equal monthly tranches for a period of 12 month.

The Consultants will be paid a monthly fee by the Company and will receive a remuneration structure in accordance with industry standards for introducing and procuring transactions on behalf of the Company which are successfully completed during the term of the Agreement and for 24 months following the termination of the Agreement.

No other matter or circumstance has arisen since 30 June 2021 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 34. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(4,608,865)	(15,876,155)
Adjustments for:		
Depreciation and amortisation	753,274	1,158,644
Share-based payments	899,631	708,167
Gibio investment written off	-	439,897
Finance costs	498,895	-
Impairment of intangible assets	-	9,663,108
Foreign exchange differences	-	6,229
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(57,953)	251,697
(Increase)/decrease in inventories	(270,541)	244,011
Decrease/(increase) in other assets	60,475	(95,455)
Decrease in trade and other payables	(169,835)	(118,272)
Increase/(decrease) in other provisions	16,328	(4,553)
Increase/(decrease) in contract liabilities	-	(438,167)
Increase/(decrease) in other liabilities	3,856	(116,321)
Net cash used in operating activities	<u>(2,874,735)</u>	<u>(4,177,170)</u>

**Note 35. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Roto-Gro International Limited	<u>(4,608,865)</u>	<u>(15,613,460)</u>

**Note 35. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	209,565,740	139,434,891
Weighted average number of ordinary shares used in calculating diluted earnings per share	209,565,740	139,434,891
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.20)	(11.20)
Diluted earnings per share	(2.20)	(11.20)
	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>

*Earnings per share for loss from discontinued operations*

Loss after income tax attributable to the owners of Roto-Gro International Limited	-	(262,695)
--	---	-----------

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	-	139,434,891
Weighted average number of ordinary shares used in calculating diluted earnings per share	-	139,434,891
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	(0.19)
Diluted earnings per share	-	(0.19)
	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>

*Earnings per share for loss*

Loss after income tax attributable to the owners of Roto-Gro International Limited	(4,608,865)	(15,876,155)
--	-------------	--------------

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	209,565,740	139,434,891
Weighted average number of ordinary shares used in calculating diluted earnings per share	209,565,740	139,434,891
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.20)	(11.39)
Diluted earnings per share	(2.20)	(11.39)

*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.

**Note 35. Earnings per share (continued)**

*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 36. Share-based payments**

*Unlisted Options*

During the financial year ended 30 June 2021, the following options were issued:

On 11 November 2020, 9,128,000 unlisted options were issued to institutional and sophisticated investors as approved at 2020 General Meeting on 9 Oct 2020 exercisable at \$0.20 on or before 11 November 2022.

On 7 December 2020, 1,491,250 unlisted options were issued to Baker Young stockbrokers for broker and investor relations services rendered in relation to capital raising undertaken on 31 December 2019. The options are exercisable at \$0.20 on or before 7 December 2022. Transactional value of \$15,941

On 9 March 2021, 18,000,000 unlisted options were issued under the Companies Employee Incentive Plan which was approved by shareholder at the 2019 AGM exercisable at \$0.06 on or before 31 December 2023. Transactional value of \$368,710.

On 29 April 2021, 6,000,000 unlisted options were issued to Peak Asset Management for broker and investor relations services rendered in October and November 2020 in relation to the facilitation of the 2020 Placement as approved at the General Meeting held on 18 February 2021. The options are exercisable at \$0.05 on or before 31 December 2023. Transactional value of \$150,000

On 29 April 2021, 25,507,567 unlisted options were issued to institutional and sophisticated investors as approved at 2021 General Meeting on 18 February 2021. The options are exercisable at \$0.05 on or before 31 December 2023.

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

Set out below are summaries of options on issue as at 30 June 2021:

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/12/2019	15/08/2021	\$0.322	2,500,000	-	-	(2,500,000)	-
28/12/2019	15/08/2022	\$0.430	2,500,000	-	-	(2,500,000)	-
29/11/2019	24/12/2021	\$0.322	8,000,000	-	-	-	8,000,000
29/11/2019	24/12/2021	\$0.322	3,650,000	-	-	-	3,650,000
11/11/2020	11/11/2022	\$0.200	-	9,128,000	-	-	9,128,000
30/11/2020	07/12/2022	\$0.200	-	1,491,250	-	-	1,491,250
18/02/2021	31/12/2023	\$0.050	-	6,000,000	-	-	6,000,000
18/02/2021	31/12/2023	\$0.050	-	25,507,567	-	-	25,507,567
09/03/2021	31/12/2023	\$0.060	-	18,000,000	-	-	18,000,000
			16,650,000	60,126,817	-	(5,000,000)	71,776,817
Weighted average exercise price			\$0.340	\$0.079	\$0.000	\$0.380	\$0.120

**Note 36. Share-based payments (continued)**

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/12/2019	15/08/2021	\$0.322	-	2,500,000	-	-	2,500,000
28/12/2019	15/08/2022	\$0.430	-	2,500,000	-	-	2,500,000
29/11/2019	24/12/2021	\$0.322	-	8,000,000	-	-	8,000,000
29/11/2019	24/12/2021	\$0.322	-	3,650,000	-	-	3,650,000
			-	16,650,000	-	-	16,650,000
Weighted average exercise price			\$0.000	\$0.340	\$0.000	\$0.000	\$0.340

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.01 years (2020: 1.53 years).

\$368,710 (2020: \$423,018) was recognised as share-based payments expense in the statement of profit and loss for the year ended 30 June 2021 in relation to options noted above, and \$165,941 (2020: \$328,806) was recognised as costs of capital raising.

\$273,000 corresponding to the valuation of options which lapsed during the year was reversed against retained earnings. An additional \$991,678 corresponding to the valuation of options which lapsed during the year ended 30 June 2020 was also reversed against retained earnings in the year.

*Performance Rights*

During the current financial year no performance rights were issued.

Set out below are summaries of performance rights on issue as at 30 June 2021:

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
06/02/2017	06/02/2022	\$0.000	9,000,000	-	-	-	9,000,000
28/02/2019	02/07/2020	\$0.000	1,000,000	-	-	(1,000,000)	-
28/02/2019	02/07/2021	\$0.000	1,000,000	-	-	-	1,000,000
28/02/2019	02/07/2022	\$0.000	1,000,000	-	-	-	1,000,000
28/02/2019	02/07/2023	\$0.000	2,000,000	-	-	-	2,000,000
28/03/2019	28/09/2020	\$0.000	9,186,360	-	-	-	9,186,360
28/03/2019	28/09/2021	\$0.000	9,186,360	-	-	(9,186,360)	-
15/08/2019	31/12/2020	\$0.000	1,000,000	-	-	(1,000,000)	-
15/08/2019	31/12/2021	\$0.000	1,000,000	-	-	(1,000,000)	-
15/08/2019	31/12/2022	\$0.000	2,000,000	-	-	(2,000,000)	-
15/08/2019	31/12/2020	\$0.000	1,000,000	-	-	(1,000,000)	-
15/08/2019	31/12/2021	\$0.000	1,000,000	-	-	(1,000,000)	-
15/08/2019	31/12/2022	\$0.000	2,000,000	-	-	(2,000,000)	-
			40,372,720	-	-	(18,186,360)	22,186,360

**Note 36. Share-based payments (continued)**

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
06/02/2017	06/02/2022	\$0.000	9,000,000	-	-	-	9,000,000
28/02/2019	02/07/2020	\$0.000	1,000,000	-	-	-	1,000,000
28/02/2019	02/07/2021	\$0.000	1,000,000	-	-	-	1,000,000
28/02/2019	02/07/2022	\$0.000	1,000,000	-	-	-	1,000,000
28/02/2019	02/07/2023	\$0.000	2,000,000	-	-	-	2,000,000
28/03/2019	28/09/2020	\$0.000	9,186,360	-	-	-	9,186,360
28/03/2019	28/09/2021	\$0.000	9,186,360	-	-	-	9,186,360
15/08/2019	31/12/2020	\$0.000	-	1,000,000	-	-	1,000,000
15/08/2019	31/12/2021	\$0.000	-	1,000,000	-	-	1,000,000
15/08/2019	31/12/2022	\$0.000	-	2,000,000	-	-	2,000,000
15/08/2019	31/12/2020	\$0.000	-	1,000,000	-	-	1,000,000
15/08/2019	31/12/2021	\$0.000	-	1,000,000	-	-	1,000,000
15/08/2019	31/12/2022	\$0.000	-	2,000,000	-	-	2,000,000
			<u>32,372,720</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>40,372,720</u>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.57 years (2020: 1.57 years).

\$2,183,130 corresponding to the valuation of the performance shares which lapsed during the year was reversed against retained earnings. An additional \$640,000 corresponding to the valuation of the performance shares which lapsed during the year ended 30 June 2020 was also reversed against retained earnings in the year. For the year ended 30 June 2020 \$191,349 was recognised as share-based payments expense in relation to the performance rights.

Using the Black Scholes Model, the fair value of each option is as set out below:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/12/2019	15/08/2021	\$0.180	\$0.322	85.00%	-	0.72%	\$0.0521
28/12/2019	15/08/2022	\$0.180	\$0.430	85.00%	-	0.67%	\$0.0571
29/11/2019	24/12/2021	\$0.155	\$0.322	85.00%	-	0.79%	\$0.0411
29/11/2019	24/12/2021	\$0.155	\$0.322	85.00%	-	0.79%	\$0.0411

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/11/2020	07/12/2022	\$0.056	\$0.200	92.10%	-	0.27%	\$0.0107
18/02/2021	31/12/2023	\$0.056	\$0.050	70.00%	-	0.12%	\$0.0250
09/03/2021	31/12/2023	\$0.053	\$0.060	70.00%	-	0.12%	\$0.0205

**Note 36. Share-based payments (continued)**

*Shares issued to extinguish liability*

On 2 December 2020, 1,372,915 shares were issued to directors in settlement of outstanding wages to extinguish liability of \$91,413.

On 8 December 2020, 1,147,840 shares were issued to broker in settlement of fees owed (share issue cost) to extinguish liability of \$45,914.

On 31 May 2021, 12,265,622 shares were issued to Mr Adam Clode for all outstanding entitlements owed to him on his employment agreement to extinguish liability of \$613,281. The shares issued are subject to voluntary escrow for a period of 6 months from their date of issue.

\$530,931 was recognised as share-based payment expense in the statement of profit and loss for the year ended 30 June 2021 in relation to shares noted above.

*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.



**Roto-Gro International Limited**  
**Directors' declaration**  
**30 June 2021**



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 2021 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*

Michael Carli  
Non-Executive Chairman

31 August 2021

**RSM Australia Partners**

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

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

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

**INDEPENDENT AUDITOR'S 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 2021, 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 2021 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.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

## 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.

Key Audit Matter	How our audit addressed this matter
<b>Intangible Assets</b> <b>Refer to Note 16 in the financial statements</b>	
<p>The Group has intangible assets of \$7,605,298 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 have performed an impairment test on the recoverability of the Group's intangible assets. Management's assessment determined that the recoverable amount of this asset exceeded its carrying value at the reporting date and therefore no impairment was recognised.</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"> <li>• Assessing the valuation methodology used;</li> <li>• Challenging the reasonableness of the key assumptions used in the value-in-use model;</li> <li>• Checking the mathematical accuracy of the model and reconciling input data to supporting evidence;</li> <li>• Reviewing the sensitivity of the key assumptions used in the model on the value-in-use of the CGU; and</li> <li>• Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.</li> </ul>

## 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 2021 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.

For personal use only

## **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](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 within the directors' report for the year ended 30 June 2021.

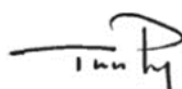
In our opinion, the Remuneration Report of Roto-Gro International Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### *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 2021

For personal use only

**Roto-Gro International Limited**  
**Shareholder information**  
**30 June 2021**



The shareholder information set out below was applicable as at 24 August 2021.

*Distribution of Fully Paid Ordinary Shares:*

Range	Total holders	No. of shares	% Units
1 to 1,000	77	31,234	0.01%
1,001 to 5,000	335	940,212	0.27%
5,001 to 10,000	446	3,582,961	1.05%
10,001 to 100,000	1,415	52,180,878	15.23%
100,001 and over	432	285,857,512	83.44%
	<u>2,705</u>	<u>342,592,797</u>	
Unmarketable Parcels	1,149	8,198,561	-

*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
ATLANTIC CAPITAL GROUP PTY LTD	19,285,715	5.63
MR MARK ANTHONY BROGLIO	9,625,000	2.81
MR TRENT MILLAR	8,930,000	2.61
SHERRY D GALLANT	7,588,500	2.22
FORTRESS ASSET MANAGEMENT LLC	7,359,373	2.15
CITICORP NOMINEES PTY LIMITED	7,322,656	2.14
10 BOLIVIANOS PTY LTD	6,066,975	1.77
RIMOYNE PTY LTD	5,528,571	1.61
ANANDI INVESTMENTS PTY LTD (PATEL FAMILY AC)	5,477,090	1.60
MEGAN NADINE KOSTUIK	4,906,249	1.43
VERTICAL LTD	4,500,000	1.31
SUBURBAN HOLDINGS PTY LTD (THE SUBURBAN SUPER FUND AC)	4,428,549	1.29
MR GAVIN JEREMY DUNHILL	4,100,000	1.20
BNP PARIBAS NOMS PTY LTD (DRP)	3,823,589	1.12
SLOOP INVESTMENTS INC.	3,400,000	0.99
ANGLO MENDA PTY LTD	3,300,838	0.96
FREEDOM TRADER PTY LTD	2,954,583	0.86
MR NARINDER SINGH SUDAGAR SINGH (SIDHU AC)	2,689,098	0.78
BALCIN CORP S.A.	2,520,000	0.74
MR ANDREW BROGLIO MISS ALANA OWEN (THE A TEAM SUPERFUND AC)	2,500,000	0.73
	<u>116,306,786</u>	<u>33.95</u>

*Unquoted equity securities*

	Number on issue
ESCROWED PERFORMANCE SHARES CLASS B	9,186,360
ESCROWED PERFORMANCE SHARES CLASS D	9,000,000
HANSON PERFORMANCE SHARES CLASS C	1,000,000
HANSON PERFORMANCE SHARES CLASS D	2,000,000
UNLISTED OPTIONS EXPIRING 24/12/21 @ 0.32	3,650,000
UNLISTED OPTIONS EXPIRING 24/12/21 @ 0.32	8,000,000
UNLISTED OPTIONS EXPIRING 31/12/23 @\$0.06	18,000,000
UNLISTED OPTIONS EXPIRING 07/12/22 @ \$0.20	1,491,250

*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	0.03%
10,001 to 100,000	23	658,125	3.11%
100,001 and over	35	20,522,610	96.86%
	<u>59</u>	<u>21,186,360</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	37	31,141,250	100.00%
	<u>37</u>	<u>31,141,250</u>	

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

**Substantial holders**

Substantial holders in the Company are set out below:

	Ordinary shares Number held	% of total shares issued
ATLANTIC CAPITAL GROUP PTY LTD	19,285,715	5.63

**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.