

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

1. Company details

| | |
|-------------------|--|
| Name of entity: | Roto-Gro International Limited |
| ABN: | 84 606 066 059 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | \$ |
|--|----|-----------|--------------|
| Revenues from ordinary activities | up | - to | 27,117 |
| Loss from ordinary activities after tax attributable to the owners of Roto-Gro International Limited | up | 489.9% to | (10,466,662) |
| Loss for the half-year attributable to the owners of Roto-Gro International Limited | up | 489.9% to | (10,466,662) |

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 \$10,466,662 (31 December 2020: \$1,774,405).

Included in this figure is depreciation and amortisation expense of \$379,949 (31 December 2020: \$383,136) and impairment expense of \$8,011,720 (31 December 2020: \$nil).

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

- Received initial CAD\$1 million purchase order from Canniberia LDA and currently awaits the initial deposit to this purchase order RotoGro and Canniberia LDA previously executed a Purchase and Sale Agreement for the purchase of RotoGro's Rotational Garden Systems, for a total purchase price of CAD\$1.9 million;
- Executed a Purchase and Sale Agreement with Wolf Island Cannabis Inc. for CAD\$380k. CAD\$213k was received during the half-year as a non-refundable deposit representing more than 50% of the purchase price for a purchase order for RotoGro's patented and proprietary cannabis cultivation technology;
- Continued to work alongside Verity Greens Inc. on its commercial perishable food indoor vertical farming facility utilizing RotoGro's patented and proprietary cultivation technology;
- Executed Amending Agreement with Verity Greens Inc., extending the deadline to execute a Definitive Agreement to 31 December 2022 pursuant to Verity Greens Inc.'s consideration to increase its purchase order from 624 Model 710 Rotational Garden Systems to 1872 Model 710 Rotational Garden Systems;
- Executed Memorandum of Understanding with Fresh Leaf Limited, an Australian cultivator of fresh herbs.
- Provided Model 710 Rotational Garden Systems to Fresh Leaf Limited pursuant previously executed Memorandum of Understanding, and received partial deposit payment for such;
- Continued advanced discussions with perishable food and lawful cannabis cultivators to generate technology sales leads and convert these into Technology Purchase and Sale Agreements, globally;
- Successfully raised AUD\$2.2 million (before costs) through a placement of new, fully paid ordinary shares to professional and sophisticated investors;
- Initiated the process of a dual listing on the Canadian Securities Exchange, this dual listing has been placed on hold in the short term.

3. Net tangible assets*

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | <u>0.56</u> | <u>0.78</u> |

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* ROU Assets have not been included in the calculation of NTA.

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 consolidated entity report under International Financial Reporting Standards.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Roto-Gro International Limited for the half-year ended 31 December 2021 is attached.

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12. Signed

Signed 

Date: 18 March 2022

Michael Carli
Executive Chairman

Roto-Gro International Limited
Corporate directory
31 December 2021

| | |
|---|---|
| Directors | Mr Michael Carli (Non-Executive Chairman) Mr Michael Di Tommaso (Executive Director and Chief Executive Officer) Mr Terry Gardiner (Non-Executive Director) Mr Leighton Richards (Non-Executive Director) (Appointed 19 October 2021 and resigned 1 March 2022) Mr Matthew O'Kane (Non-Executive Director) (Resigned 19 October 2021) |
| Chief Executive Officer | Michael Di Tommaso |
| Chief Financial Officer | Karla Mallon |
| Company Secretary | Andrew Palfreyman |
| Registered office / principal place of business | Level 5, 126 Phillip Street Sydney NSW 2000 |
| Share register | Computershare Investor Services Pty Limited 452, Johnston Street Abbotsford VIC 3067 Telephone: +61 394155000 Fax: +61 394732500 Website: https://www.computershare.com/au/Pages/contact-us.aspx |
| Auditor | RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000 |
| Stock exchange listing | Roto-Gro International Limited shares are listed on the Australian Securities Exchange (ASX code: RGI) |
| Website | https://www.rotogro.com/ |

Roto-Gro International Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Roto-Gro International Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Mr Michael Carli (Non-Executive Chairman)
Mr Michael Di Tommaso (Executive Director and Chief Executive Officer)
Mr Terry Gardiner (Non-Executive Director)
Mr Leighton Richards (Non-Executive Director) (Appointed 19 October 2021 and resigned 1 March 2022)
Mr Matthew O'Kane (Non-Executive Director) (Resigned 19 October 2021)

Principal activities

The principal activity of the consolidated entity during the financial period 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 half-year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$10,466,662 (31 December 2020: \$1,774,405).

Included in this figure is depreciation and amortisation expense of \$379,949 (31 December 2020: \$383,136) and impairment expense of \$8,011,720 (31 December 2020: \$nil).

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

Significant changes in the state of affairs

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 \$377,000 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.

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 and consequently issued on 30 July 2021.

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:

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Directors' report
31 December 2021

- 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 was not obtained within 120 days of the Mandate, the Company would 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 15 December 2021, the issue of 25,000,000 options was not approved by Shareholders and therefore the Company was required to pay \$33,612 to EverBlu based on independent valuation of the options received on 22 December 2021.

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).

On 15 December 2021, the 62,857,143 free attaching options were approved by Shareholders.

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. RotoGro's application into the Deep Space Food Challenge was its initial foray into the space industry, highlighting the technological diversification and adaptability of its patented and proprietary indoor vertical farming technology. The Company's proposal was not accepted into the first phase of the NASA and CSE Deep Space Food Challenge, but the Company continues to pursue this niche sector and continues discussions with a private industry space exploration company.

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.

On 5 October 2021, the Company announced the lapse of 9,186,360 Class B Roto-Gro Inc Performance Shares; 1,000,000 Class C Hanson Performance Shares; and 2,000,000 Class D 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) 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.

On 9 September 2021, the Company announced the issue of the 4,000,000 options to the Advisory Board at an exercise price \$0.04 per option and expiry date 6 September 2024.

On 24 December 2021, the company issued 2,000,000 options to the Advisory Board at an exercise price \$0.04 per option and expiry date 24 December 2024.

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Canniberia LDA Purchase Order

On 4 October 2021, the Company received an initial CAD\$1.039 million purchase order from Canniberia LDA and currently awaits the initial deposit pursuant to this purchase order. RotoGro and Canniberia LDA previously executed a Purchase and Sale Agreement for the purchase of RotoGro's Rotational Garden Systems, for a total purchase price of CAD\$1.9 million. The Company notes that as a result of administrative delays due to COVID-19, it agreed to grant an extension of the date for payment of 50% of the initial order. The Company maintains close and continuous communication with Canniberia, who remain committed to working with RotoGro under the Agreement.

Management team

On 19 October 2021, the Company announced the appointment of Leighton Richards as a Non-Executive Director of the Company, effective from the same date.

On 19 October 2021, the Company announced the resignation of Mr Matthew O'Kane as a Non-Executive Director, effective from the same date.

CSE and ASX Dual Listing

On 21 October 2021, the Company announced that it would seek a listing on the Canadian Securities Exchange after several inquiries from North American private equity firms.

The Company's Board and management team expect that a dual listing on the CSE and the ASX will present the Company with growth opportunities in the Canadian and US agricultural technology market, bolstering its market position and driving shareholder value for existing and new Australian and North American shareholders. This dual listing has been placed on hold in the short term.

International Patent Applications

On 25 October 2021, the Company announced that it filed three applications under The Patent Cooperation Treaty claiming priority from three Patent Applications previously filed with the United States Patent and Trademark Office.

Shares issue in lieu of Remuneration

On 19 November 2021, the Company announced the release from voluntary escrow of 12,265,622 fully paid ordinary shares that were issued 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.

Lapse of Options

On 30 December 2021 Roto-Gro International Limited announced the lapse of 11,650,000 options as they have expired without being exercised or converted.

Employee Incentive Plan

On 24 December 2021, the Company issued the following options under the Employee Incentive Plan after Shareholder approval on the 15 December 2021.

- 15,000,000 at an exercise price \$0.06 per option and expiry date 31 December 2023.
- 14,000,000 at an exercise price \$0.06 per option and expiry date 31 December 2024.
- 2,500,000 at an exercise price \$0.03 per option and expiry date 31 December 2022. The options will vest when the share price reaches \$0.06.
- 2,500,000 at an exercise price \$0.03 per option and expiry date 31 December 2022. The options will vest when the share price reaches \$0.09.
- 2,500,000 at an exercise price \$0.03 per option and expiry date 31 December 2023. The options will vest when the share price reaches \$0.12.
- 2,500,000 at an exercise price \$0.03 per option and expiry date 31 December 2023. The options will vest when the share price reaches \$0.15.
- 3,000,000 at an exercise price \$0.03 per option and expiry date 31 December 2024. The options will vest when the share price reaches \$0.20.
- 500,000 at an exercise price \$0.07 per option and expiry date 31 December 2023.
- 500,000 at an exercise price \$0.10 per option and expiry date 31 December 2023.

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Verity Greens Inc Project

RotoGro and Verity Greens Inc. (Verity Greens) made significant headway in establishing the footprint necessary to penetrate the global indoor farming space. Verity Greens is currently in discussions with three of North America's wholesale perishable food suppliers for which RotoGro continues product trials and testing at its research and design facility located in Caledon, Ontario, Canada. Based on the significant progress made to date, Verity Greens has revised its strategy to consider tripling its prospective purchase order to pursue a full-scale commercial perishable food cultivation facility, consisting of 1872 RotoGro Rotational Garden Systems with all supporting technology of its first facility. Accordingly, on 31 December 2021, the Company announced that it executed an Amending Agreement, amending the Technology Licence Agreement with Verity Greens Inc by extending the deadline to execute a Definitive Agreement with RotoGro from 31 December 2021 to 31 December 2022. All other conditions of the Agreement remain the same.

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

Matters subsequent to the end of the financial half-year

On 1 March 2022, the Company announced the resignation of Leighton Richards as a Non-Executive Director of the Company, effective from the same date. As a result of Mr Richards' resignation, the Company notes that it will not have at least two directors that ordinarily reside in Australia as required under the Corporations Act 2001 (Cth). The Company will seek to appoint a new director who is resident of Australia when possible.

On 1 March 2022, the Company was suspended from Official Quotation in accordance with Listing Rule 17.5 following non-attendance of the 31 December 2021 Appendix 4D and Half-year report.

No other matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration

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

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

On behalf of the directors



Michael Carli
Executive Chairman

18 March 2022

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Roto-Gro International Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



MATTHEW BEEVERS
Partner

Perth, WA
Dated: 18 March 2022

Roto-Gro International Limited

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31 December 2021

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Roto-Gro International Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | | Consolidated | |
|---|-------------|----------------------------|---------------------------|
| | Note | 31 December 2021 | 31 December 2020 |
| | | \$ | \$ |
| Revenue | 4 | 27,117 | - |
| Other income | 4 | 104,449 | 224,357 |
| Expenses | | | |
| Cost of goods sold | | (189,203) | (10,475) |
| Design and innovation expense | | (432,305) | (435,347) |
| Business development expense | | (121,619) | (96,257) |
| Depreciation expense | | (163,898) | (167,085) |
| Impairment of assets | | (8,011,720) | - |
| Amortisation expense | | (216,051) | (216,051) |
| Share based payments expense | | (274,693) | 191,548 |
| Research and development expenses | | (172,734) | (123,818) |
| Finance costs | | - | (124,229) |
| Corporate and administration expenses | | <u>(1,016,005)</u> | <u>(1,017,048)</u> |
| Loss before income tax expense | | (10,466,662) | (1,774,405) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the half-year attributable to the owners of Roto-Gro International Limited | | (10,466,662) | (1,774,405) |
| Other comprehensive loss | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>(11,908)</u> | <u>(126,243)</u> |
| Other comprehensive loss for the half-year, net of tax | | <u>(11,908)</u> | <u>(126,243)</u> |
| Total comprehensive loss for the half-year attributable to the owners of Roto-Gro International Limited | | <u><u>(10,478,570)</u></u> | <u><u>(1,900,648)</u></u> |
| | | Cents | Cents |
| Basic loss per share | 11 | (3.12) | (1.10) |
| Diluted loss per share | 11 | (3.12) | (1.10) |

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

Roto-Gro International Limited
Statement of financial position
As at 31 December 2021

| | | Consolidated | |
|--------------------------------------|-------------|---------------------|---------------------|
| | Note | 31 December | 30 June 2021 |
| | | 2021 | 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,629,882 | 1,638,368 |
| Trade and other receivables | | 20,358 | 95,944 |
| Inventories | | 863,271 | 895,184 |
| Other current assets | | 279,802 | 115,610 |
| Total current assets | | <u>2,793,313</u> | <u>2,745,106</u> |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 58,162 | 1,067,404 |
| Right-of-use assets | | 110,810 | 178,476 |
| Intangibles | 6 | 398,320 | 7,605,298 |
| Total non-current assets | | <u>567,292</u> | <u>8,851,178</u> |
| Total assets | | <u>3,360,605</u> | <u>11,596,284</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 158,228 | 306,402 |
| Lease liabilities | | 114,749 | 151,317 |
| Employee benefits | | 23,930 | 67,082 |
| Other current liabilities | | 751,123 | 524,571 |
| Total current liabilities | | <u>1,048,030</u> | <u>1,049,372</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 7,994 | 49,602 |
| Total non-current liabilities | | <u>7,994</u> | <u>49,602</u> |
| Total liabilities | | <u>1,056,024</u> | <u>1,098,974</u> |
| Net assets | | <u>2,304,581</u> | <u>10,497,310</u> |
| Equity | | | |
| Issued capital | 7 | 36,240,869 | 34,400,721 |
| Reserves | 8 | 1,480,116 | 3,486,463 |
| Accumulated losses | | (35,416,404) | (27,389,874) |
| Total equity | | <u>2,304,581</u> | <u>10,497,310</u> |

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

Roto-Gro International Limited
Statement of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Issued capital \$ | Share based payment reserve \$ | Foreign currency translation reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|---|--|--|----------------------------------|
| 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 half-year | - | - | - | (1,774,405) | (1,774,405) |
| Other comprehensive loss for the half-year, net of tax | - | - | (126,243) | - | (126,243) |
| Total comprehensive loss for the half-year | - | - | (126,243) | (1,774,405) | (1,900,648) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 1,755,218 | - | - | - | 1,755,218 |
| Share-based payments (note 8) | 470,855 | (191,548) | - | - | 279,307 |
| Convertible note conversion | 666,031 | - | - | - | 666,031 |
| Balance at 31 December 2020 | <u>31,700,079</u> | <u>6,696,392</u> | <u>47,432</u> | <u>(28,643,221)</u> | <u>9,800,682</u> |

| Consolidated | Issued capital \$ | Share based payment reserve \$ | Foreign currency translation reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|---|--|--|----------------------------------|
| Balance at 1 July 2021 | 34,400,721 | 3,334,784 | 151,679 | (27,389,874) | 10,497,310 |
| Loss after income tax expense for the half-year | - | - | - | (10,466,662) | (10,466,662) |
| Other comprehensive loss for the half-year, net of tax | - | - | (11,908) | - | (11,908) |
| Total comprehensive loss for the half-year | - | - | (11,908) | (10,466,662) | (10,478,570) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 7) | 1,840,148 | - | - | - | 1,840,148 |
| Share-based payments (note 8) | - | 274,693 | - | - | 274,693 |
| Issue of options as part of capital raising costs | - | 171,000 | - | - | 171,000 |
| Transfer relating to options and rights expired and/or forfeited | - | (2,440,132) | - | 2,440,132 | - |
| Balance at 31 December 2021 | <u>36,240,869</u> | <u>1,340,345</u> | <u>139,771</u> | <u>(35,416,404)</u> | <u>2,304,581</u> |

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

Roto-Gro International Limited
Statement of cash flows
For the half-year ended 31 December 2021

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 242,169 | - |
| Payments to suppliers and employees (inclusive of GST) | (1,913,288) | (1,549,517) |
| Payment for product manufacturing (inclusive of GST) | (245,274) | (147,925) |
| | <u>(1,916,393)</u> | <u>(1,697,442)</u> |
| Interest and government grant received | 187,277 | 224,357 |
| Net cash used in operating activities | <u>(1,729,116)</u> | <u>(1,473,085)</u> |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (214,831) | (132,079) |
| Net cash used in investing activities | <u>(214,831)</u> | <u>(132,079)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares (net of transaction costs) | 2,022,319 | 1,409,181 |
| Proceeds from convertible note | - | 1,250,000 |
| Repayment of lease liabilities (AASB 16) | (73,176) | (79,915) |
| Net cash from financing activities | <u>1,949,143</u> | <u>2,579,266</u> |
| Net increase in cash and cash equivalents | 5,196 | 974,102 |
| Cash and cash equivalents at the beginning of the financial half-year | 1,638,368 | 345,524 |
| Effects of exchange rate changes on cash and cash equivalents | (13,682) | (17,796) |
| Cash and cash equivalents at the end of the financial half-year | <u><u>1,629,882</u></u> | <u><u>1,301,830</u></u> |

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

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 1. General information

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

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

Level 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 18 March 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

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 consolidated entity incurred a loss of \$10,466,662 and net cash outflows from operating activities of \$1,729,116 and investing activities of \$214,831 respectively and net cash inflows from financing activities of \$1,949,143 for the period ended 31 December 2021. The consolidated entity anticipates incurring trading losses and net cash outflows from operating activities for at least the next twelve months whilst it continues to pursue new sales opportunities and secure and fulfill new sales contracts.

The ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the consolidated entity to meet its working capital requirements by raising additional funds from equity markets until such time as it attains positive cash flows from operating activities. Based on discussions with its advisors, the Board believes the consolidated entity has the ability to raise additional capital as necessary from equity markets, although no formal arrangements exist at this time with respect to future capital raising.

Note 2. Significant accounting policies (continued)

The going concern basis of preparation is also dependent on:

- Receipt of CAD\$1.039 million from Canniberia LDA for the first technology order consisting of 72 RotoGro Garden Systems and a Plant Nutrient Management System as announced on 4 October 2021. Currently the Company awaits the initial deposit pursuant to this purchase order and expects Canniberia LDA would then provide the remaining funds of the Tranche 1 order before shipment;
- The ability of the company to issue additional equity securities to raise further working capital;
- The ability to curtail corporate and administration expenses and overhead cash outflows as and when required; and
- The ability to deliver its sales targets and meet its cash flow forecasts.

The directors acknowledge that there are timing risks associated with the completion of successful capital raisings which have a direct impact on the Group's ability to meet liabilities when due. Nonetheless, the directors have received feedback that the consolidated entity is well placed to raise additional capital from equity markets, and the directors are exploring terms of a possible capital raising with its corporate adviser in order to meet its ongoing funding needs.

However, if the capital raising and other matters mentioned above do not eventuate, there is a material uncertainty that may cast doubt as to whether the Group will continue as a going concern and, therefore, whether the Group will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

The main geographic areas that the entity operates in are Australia and Canada. The parent entity is registered in Australia. The consolidated entity's intangible assets are maintained in the Territory of the British Virgin Islands (previously in Mauritius).

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

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 3. Operating segments (continued)

Operating segment information

| Consolidated - 31 December 2021 | Australia \$ | Canada \$ | British Virgin Islands* \$ | Total \$ |
|--|------------------------|---------------------|--|---------------------|
| Revenue | | | | |
| Sales to external customers | - | 27,117 | - | 27,117 |
| Total sales revenue | - | 27,117 | - | 27,117 |
| Interest income | 182 | - | - | 182 |
| Government grant | - | 104,267 | - | 104,267 |
| Total revenue and other income | 182 | 131,384 | - | 131,566 |
| EBITDA (including impairment expenses) | | | | |
| Depreciation and amortisation | (8,814,807) | (1,278,584) | 6,678 | (10,086,713) |
| | (216,051) | (163,898) | - | (379,949) |
| Profit/(loss) before income tax expense | (9,030,858) | (1,442,482) | 6,678 | (10,466,662) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (10,466,662) |
| Assets | | | | |
| Segment assets | 953,078 | 2,703,960 | - | 3,657,038 |
| Intersegment eliminations | | | | (296,433) |
| Total assets | | | | 3,360,605 |
| Liabilities | | | | |
| Segment liabilities | (6,962,956) | 17,114,924 | 922,661 | 11,074,629 |
| Intersegment eliminations | | | | (10,018,605) |
| Total liabilities | | | | 1,056,024 |

* Re-domiciliation of Roto-Gro World Wide Inc from Mauritius to British Virgin Islands completed on 15 October 2021.

| Consolidated - 31 December 2020 | Australia \$ | Canada \$ | Mauritius \$ | Total \$ |
|--|------------------------|---------------------|------------------------|--------------------|
| Revenue | | | | |
| Interest income | 37 | - | - | 37 |
| Government grant | 10,000 | 214,320 | - | 224,320 |
| Total revenue and other income | 10,037 | 214,320 | - | 224,357 |
| EBITDA | | | | |
| Depreciation and amortisation | (309,516) | (1,075,543) | (6,210) | (1,391,269) |
| | - | (167,085) | (216,051) | (383,136) |
| Loss before income tax expense | (309,516) | (1,242,628) | (222,261) | (1,774,405) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (1,774,405) |
| Consolidated - 30 June 2021 | | | | |
| Assets | | | | |
| Segment assets | 8,439,845 | 3,874,797 | 3,047 | 12,317,689 |
| Intersegment eliminations | | | | (721,405) |
| Total assets | | | | 11,596,284 |
| Liabilities | | | | |
| Segment liabilities | 5,898,818 | 14,692,555 | 901,745 | 21,493,118 |
| Intersegment eliminations | | | | (20,394,144) |
| Total liabilities | | | | 1,098,974 |

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 4. Revenue

| | Consolidated | |
|-------------------------|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$ | \$ |
| Sale of goods | 27,117 | - |
| | <u>27,117</u> | <u>-</u> |
| | Consolidated | |
| | 31 December 2021 | 31 December 2020 |
| | \$ | \$ |
| Interest income | 182 | 37 |
| Government grant income | 104,267 | 224,320 |
| | <u>104,449</u> | <u>224,357</u> |

For the period ended 31 December 2021, all revenue was recognised when the good or service transferred at a point in time.

Note 5. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|-------------------------|---------------------|
| | 31 December 2021 | 30 June 2021 |
| | \$ | \$ |
| Leasehold improvements | 576,003 | 568,680 |
| Less: Accumulated depreciation | (291,197) | (233,026) |
| Less: Impairment | (273,431) | - |
| | <u>11,375</u> | <u>335,654</u> |
| Motor vehicles - at cost | 43,812 | 43,661 |
| Less: Accumulated depreciation | (28,112) | (25,334) |
| | <u>15,700</u> | <u>18,327</u> |
| Computer equipment - at cost | 75,576 | 73,233 |
| Less: Accumulated depreciation | (36,671) | (31,582) |
| Less: Impairment | (37,351) | - |
| | <u>1,554</u> | <u>41,651</u> |
| Plant and equipment - at cost | 993,881 | 896,049 |
| Less: Accumulated depreciation | (254,337) | (224,277) |
| Less: Impairment | (710,011) | - |
| | <u>29,533</u> | <u>671,772</u> |
| | <u>58,162</u> | <u>1,067,404</u> |

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 5. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

| Consolidated | Leasehold improvement s \$ | Motor vehicle \$ | Computer equipment \$ | Plant and equipment \$ | Total \$ |
|-----------------------------|---|---------------------------------|--------------------------------------|---------------------------------------|---------------------|
| Balance at 1 July 2021 | 335,654 | 18,327 | 41,651 | 671,772 | 1,067,404 |
| Additions | 4,512 | - | 1,999 | 92,444 | 98,955 |
| Exchange differences | 2,811 | 151 | 344 | 5,388 | 8,694 |
| Impairment of assets | (273,431) | - | (37,351) | (710,011) | (1,020,793) |
| Depreciation expense | (58,171) | (2,778) | (5,089) | (30,060) | (96,098) |
| Balance at 31 December 2021 | <u>11,375</u> | <u>15,700</u> | <u>1,554</u> | <u>29,533</u> | <u>58,162</u> |

Note 6. Non-current assets - intangibles

| | Consolidated | |
|----------------------------------|------------------------------------|----------------------------|
| | 31 December 2021 \$ | 30 June 2021 \$ |
| Intellectual property - at cost | 8,878,339 | 8,878,339 |
| Less: Accumulated amortisation | (2,353,402) | (2,172,430) |
| Less: Impairment | (6,173,208) | - |
| | <u>351,729</u> | <u>6,705,909</u> |
| Patents and trademarks - at cost | 1,239,086 | 1,239,086 |
| Less: Accumulated amortisation | (374,776) | (339,697) |
| Less: Impairment | (817,719) | - |
| | <u>46,591</u> | <u>899,389</u> |
| | <u>398,320</u> | <u>7,605,298</u> |

Reconciliations

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

| Consolidated | Intellectual Property \$ | Patent \$ | Total \$ |
|-----------------------------|---|----------------------|---------------------|
| Balance at 1 July 2021 | 6,705,909 | 899,389 | 7,605,298 |
| Impairment of assets | (6,173,208) | (817,719) | (6,990,927) |
| Amortisation expense | (180,972) | (35,079) | (216,051) |
| Balance at 31 December 2021 | <u>351,729</u> | <u>46,591</u> | <u>398,320</u> |

Directors have determined that the Roto-Gro Group's CGU fully comprises Roto-Gro for the half year ended 31 December 2021. The recoverable amount of the intangibles and other CGU assets have been determined based on value-in-use calculations of the Roto-Gro Group 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, together with a terminal value.

Key assumptions used in the value-in-use calculations for the Roto-Gro group CGU are based on management's latest forecast for financial years 2022 to 2026 and a combination of business case assumptions.

Note 6. Non-current assets - intangibles (continued)

Revenue growth

Revenue growth over the five-year period is based upon forecasted revenue on a business-as-usual basis and assumes no new products or new geographies (in accordance with AASB 136); is in line with the processing capability and capacity of the business unit; is underpinned by estimated increases in volumes; and supported by modest market price increases to mitigate the cost increase. Revenue growth over the forecast period is anticipated to be 1448% in financial year 2023 and 2% growth from financial year 2024 to financial year 2026.

Gross margins

A gross margin of 41% to 42% is used for the value-in-use calculation for FY23-FY26.

Other costs

Overall forecast costs are based on past performance and management's expectations for the future. Increase in other operating costs increased by an average of 2% over the forecast period.

Pre-tax discount rate

Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied a pre-tax discount rate of 20.89% per annum.

Review outcome

In completing the impairment review based on the aforementioned business-as-usual assumptions, the carrying value of intangibles and other CGU assets for Roto-Gro International Limited were impaired by \$8,011,720.

Events & Circumstances

The impairment has been allocated to the following CGU assets:

Intangible assets \$6,990,927

Property, Plant and Equipment \$1,020,793

The directors have made judgements and estimates in respect of impairment testing of the Roto-Gro CGU as noted above.

Accounting policy for intangible assets

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

Intellectual property

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

Patents and trademarks

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

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 7. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------------|--------------------|---------------------|
| | 31 December | 30 June 2021 | 31 December | 30 June 2021 |
| | 2021 | | 2021 | |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>342,592,797</u> | <u>279,735,654</u> | <u>36,240,869</u> | <u>34,400,721</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|--------------------|--------------------|-------------------|
| Balance | 1 July 2021 | 279,735,654 | | 34,400,721 |
| Share issued to institutional sophisticated investors | 23 July 2021 | 62,857,143 | \$0.03500 | 2,200,000 |
| Less capital raising costs | | | | <u>(359,852)</u> |
| Balance | 31 December 2021 | <u>342,592,797</u> | | <u>36,240,869</u> |

Ordinary shares

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

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

Share buy-back

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

Note 8. Equity - reserves

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 December | 30 June 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Foreign currency reserve | 139,771 | 151,679 |
| Share-based payments reserve | <u>1,340,345</u> | <u>3,334,784</u> |
| | <u>1,480,116</u> | <u>3,486,463</u> |
| | 31 December | 30 June 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Share based payments reserve | | |
| Opening balance | 3,334,784 | 6,887,940 |
| Share based payments | 274,693 | 368,710 |
| Issue of options as part of capital raising costs | 171,000 | 165,941 |
| Transfer relation to options and rights expired and/or cancelled | <u>(2,440,132)</u> | <u>(4,087,807)</u> |
| | <u>1,340,345</u> | <u>3,334,784</u> |

Foreign currency reserve

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

Roto-Gro International Limited
Notes to the financial statements
31 December 2021

Note 8. Equity - reserves (continued)

Share-based payments reserve

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

Note 9. Contingent liabilities

The company does not have any contingent liabilities at 31 December 2021 (31 December 2020: NIL).

Note 10. Events after the reporting period

On 1 March 2022, the Company announced the resignation of Leighton Richards as a Non-Executive Director of the Company, effective from the same date. As a result of Mr Richards' resignation, the Company notes that it will not have at least two directors that ordinarily reside in Australia as required under the Corporations Act 2001 (Cth). The Company will seek to appoint a new director who is resident of Australia when possible.

On 1 March 2022, the Company was suspended from Official Quotation in accordance with Listing Rule 17.5 following non-attendance of the 31 December 2021 Appendix 4D and Half-year report.

No other matter or circumstance has arisen since 31 December 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 11. Loss per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Roto-Gro International Limited | <u>(10,466,662)</u> | <u>(1,774,405)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>335,077,269</u> | <u>161,124,807</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>335,077,269</u> | <u>161,124,807</u> |
| | Cents | Cents |
| Basic loss per share | (3.12) | (1.10) |
| Diluted loss per share | (3.12) | (1.10) |

Roto-Gro International Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Michael Carli
Executive Chairman

18 March 2022



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Roto-Gro International Limited which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Roto-Gro International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half - year financial report, which indicates that the consolidated entity incurred a net loss of \$10,466,662 and net cash outflows from operating activities of \$1,729,116 and investing activities of \$214,831 respectively during the half- year ended 31 December 2021. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



MATTHEW BEEVERS
Partner

Perth, WA
Dated: 18 March 2022