

28 April 2021

Quarterly Activity Report and Appendix 4C

Highlights:

- Continued progress made across global cannabis industry and plant based meat division
- A\$51,700 sales contract secured with Puerto Rican cannabis company Caribbean CBD Farm Inc. for over 2,000 exchange probe units
- Completion of global suppliers survey for hemp-based products in collaboration with Hempoint
- Initial LOI with Hempoint to be expanded allowing Hempoint to become consultancy arm of Roots' plant and hemp-based meat department
- Establishment of US-based alternative meat operations well advanced – partnerships expected shortly

Roots Sustainable Agricultural Technologies Limited (ASX: ROO, "Roots" or "the Company") is pleased to provide this update to shareholders for the period ended 31 March 2021 ('the quarter'). Strong progress was made during the quarter laying a foundation for growth in key operating sectors.

Operational Overview

New sale contract secured at Puerto Rican cannabis farm:

During the period, the Company secured a new sales contract for its proprietary Root Zone Temperature Optimisation (RZTO) technology valued at A\$51,700 with Caribbean CBD Farm Inc., marking the Company's expansion into Puerto Rico.

The contract consists of over 2,000 units of the Company's revolutionary product being supplied, which will be inserted into pots located at the farm. The technology will deploy a heat pump, circulation pump and electronic panel to heat and cool the roots resulting in a greater yield. Mobile and PC applications developed by the Company will also equip farm staff with sensors, providing them real time feedback on the temperatures and functionality readings of the system.

The Company's heat exchange probe is designed to be inserted into the top of plant pots and grow bags, achieving simpler working procedures and streamlined operations. Previous test work undertaken by Roots, shows that the probe technology has increased cannabis yields by over 20%. By optimising plant physiology for increased growth, productivity and quality by stabilising the plant root zone temperature year around, RZTO is the most influential parameter in the plant's physiology besides water.

Since the legalisation of medicinal cannabis in Puerto Rico in 2015, there has been a growing increase in patients utilising it for treatment. The territory now has 31 licenced cannabis producersⁱ, providing a large



addressable market opportunity for the Company to continue to undertake a number of business development initiatives to drive growth throughout Puerto Rico.



Image one: Exchange probe technology being used to increase cannabis plant yield

Plant and hemp-based meat alternative operations in the USA gaining momentum:

The Company continued to develop its plant and hemp-based meat department and activities alongside leading organic hemp grower and hemp food manufacturer Hempoint s.r.o. ("Hempoint"). The collaboration has led to significant advances in realising opportunities within the lucrative organic plant-based meat market, which is anticipated to grow up to \$US240Bn over the next two decades.

During the quarter, Hempoint completed a global survey for the Company to collect data on suppliers and pricing of hemp protein for the meat replacement market. The data compiled in the survey will be used by both parties to advance a number of initiatives, including the launch of hemp-based meat replacement products, in addition to the establishment of a US-hemp based food venture.

The initial letter of intent (LOI) signed in December 2020 is also expected to be amended, and progress on another agreement which will outline Hempoint becoming a consultancy arm for the Company is currently being formed. This further illustrates the Company's intent to accelerate its growth within the plant and hemp-based alternative meat products market, while consolidating its pipeline of commercial partners.

Preparations by the Company to form a US corporation that will be focused on the sale and distribution of plant and hemp-based, as well as other meat replacement products are well advanced. The Company is currently finalising a multi-year business plan with key American partners, additional updates to be announced in the near term.



Corporate overview

The Company's annual report and financial statements for the year ended 31 December 2021 was released on 26 February 2021.

Management commentary:

Roots Executive Chairman and CEO, Boaz Wachtel said: *"The progress made during the quarter is very pleasing and lays a strong foundation for a number of near term growth initiatives.*

"Following recent regulatory shifts in the cannabis sector, we have continued to progress a number of business development initiatives that will underpin uptake of our RZTO and exchange probe technology. The Company's expansion into Puerto Rico is another example of the demand we are witnessing from cannabis growers and from the agribusiness sector more broadly.

"Considerable work was also undertaken to advance our plant and hemp-based meat department. The data and background from the Hempoint survey will provide Roots with a very strong base to move forward, with particular focus on establishing and growing US operations.

"The US has a number of food supply issues and represents a large market opportunity for Roots, we anticipate that our market entry will be very lucrative."

-ENDS-

ASX Listing Rule 4.7C.1

There were no material developments or changes in business activities for the quarter. Operational expenditure during the quarter was US\$391K. The majority of this expenditure was research and development, advertising and marketing, staff costs, product manufacturing and administration and corporate costs.

ASX Listing Rule 4.7C.3

The following table sets out the information as required by ASX Listing Rule 4.7.3C regarding payments to related parties of the entity and their associates:

| Related Party | Amount | Description |
|---------------------------|---------------|---|
| Directors (Executive) | US\$43,040 | Periodical Director Fees in accordance with Director Agreements |
| Directors (Non-Executive) | US\$32,863 | Periodical Director Fees in accordance with Director Agreements |
| Everblu Capital Pty Ltd | US\$- | Capital Raising Fees |
| Everblu Capital Pty Ltd | US\$7,613 | Corporate Advisory Fees (excl GST) |

About Roots Sustainable Agricultural Technologies Ltd:

Israeli-based, Roots Sustainable Agricultural Technologies Ltd. is developing and commercialising disruptive, modular, cutting-edge technologies to address critical problems faced by agriculture today, including management of plant's root zone temperatures and the shortage of water for irrigation.

Roots has developed proprietary know-how and patents to optimise performance, lower installation costs, and reduce energy consumption to bring maximum benefit to farmers through their two-in-one root zone heating and cooling technology and off the grid irrigation by condensation technology.

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program.



More information www.Rootssat.com

About Root Zone Temperature Optimization (RZTO)

Root Zone Temperature Optimization (RZTO) optimises plant physiology for increased growth, productivity and quality by stabilising the plant's root zone temperature. Using Ground source heat exchange (GSHE) installations either alone, or in combination with heat pumps, or with heat pumps alone, ROOTS is able to provide accurate range of root zone temperatures for farmer and the plants to obtain the multiple benefits.

This significantly increases yields, increases growing cycle planting options, improves quality, mitigates extreme heat and cold stress while significantly reducing energy consumption by stabilising and optimising the ROOTS zone temperature.

This announcement was authorised to be given to the ASX by the Roots Executive Directors, Mr Boaz Wachtel and Mr Sharon Devir.

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Forward looking statements

This announcement contains forward-looking statements with respect to ROOTS and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations.

The actual results and performance of ROOTS could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to ROOTS and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and ROOTS has no obligation to up-date such statements, except to the extent required by applicable laws.

ⁱ <https://www.cannabisbusinesstimes.com/article/against-the-wind-tropizen-cannabis-puerto-rico/>

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Roots Sustainable Agricultural Technologies Ltd

ARBN

619 754 540

Quarter ended ("current quarter")

31 March 2021

| Consolidated statement of cash flows | Current quarter US\$'000 | Year to date (3 months) US\$'000 |
|---|-----------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 28 | 28 |
| 1.2 Payments for | | |
| (a) research and development | (30) | (30) |
| (b) product manufacturing and operating costs | (3) | (3) |
| (c) advertising and marketing | (105) | (105) |
| (d) leased assets | - | - |
| (e) staff costs | (181) | (181) |
| (f) administration and corporate costs | (134) | (134) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (institutes) | 34 | 34 |
| 1.9 Net cash from / (used in) operating activities | (391) | (391) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (3 months) US\$'000 |
|--------------------------------------|---|-----------------------------|--|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | | |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | 45 | 45 |
| 2.6 | Net cash from / (used in) investing activities | 45 | 45 |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,067 | 3,067 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (391) | (391) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 45 | 45 |

| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (3 months) US\$'000 |
|--------------------------------------|--|-----------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | (103) | (103) |
| 4.6 | Cash and cash equivalents at end of period | 2,618 | 2,618 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter US\$'000 | Previous quarter US\$'000 |
|-----|--|-----------------------------|------------------------------|
| 5.1 | Bank balances | 2,618 | 2,618 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,618 | 2,618 |

| 6. | Payments to related parties of the entity and their associates | Current quarter US\$'000 |
|---|---|-----------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 84 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 3 | - |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

| Total facility amount at quarter end US\$'000 | Amount drawn at quarter end US\$'000 |
|---|--------------------------------------|
| - | - |
| - | - |
| - | - |
| - | - |

7.5 Unused financing facilities available at quarter end

-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

US\$'000

| | | |
|-----|---|-------|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (391) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 2,618 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 2,618 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 6.70 |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A.

- 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A.

- 8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2021

Authorised by: The Board of Roots Sustainable Agricultural Technologies Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.